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The Conference Board

Corporate Ethics

international survey and interviews examine how 300 leading companies:

- *define ethical issues*
- *respond to ethical dilemmas*
- *develop and communicate codes of ethics*
- *design ethics training programs*

Research Report No. 900

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Corporate Ethics

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A Research Report from The Conference Board

Contents

Page

WHY THIS REPORT v

HIGHLIGHTS vii

ABOUT THIS REPORT viii

1. DEFINING CORPORATE ETHICS 1

   Current Issues in Corporate Ethics: The View from the Top 1
   Is This an Ethical Issue for Business? 3
   Which Issues will be Most Important Over the Next Five Years? 3
   Which Issues Require Further Attention? 4

2. RESPONDING TO PRACTICAL SITUATIONS: FOUR CASE STUDIES 5

   Case One: Business Meeting or Vacation? 5
   Case Two: Toxic Emission Standards and a "Whistle Blower" 7
   Case Three: Acquisition and Layoff 9
   Case Four: Inside Information 11

3. CODES OF ETHICS AND EDUCATIONAL PROGRAMS 13

   Reasons for a Code of Ethics 13
   Drafting a Code of Ethics: A Dynamic Process 14
   Code Formats 16
   Improper Conduct and Penalties 16
   Distribution and Communication 16
   Compliance Oversight 17
   Ethics Discussion Programs 17

TABLES

1. Is This an Ethical Issue for Business? 3
2. How Important will This Issue be for Business in the Next Five Years? 4
3. Case One Responses 5
4. Case Two Responses 7
5. Case Three Responses 9
6. Case Four Responses 11
7. Regional Prevalence of Company Codes of Ethics 13
8. Penalties for Violations of Corporate Codes of Conduct 16

CHARTS

		Page
1.	Ethical Categories of Current Corporate Issues	2
2.	Ethical Issues that Require Additional Attention	4
3.	How Long Has the Company Code of Ethics Been in Existence?	14
4.	Participants in Code Drafting	15
5.	Constituency Relationships Addressed by Corporate Codes	15

EXHIBITS

1.	Security Pacific Corporation Statement of Corporate and Employee Commitments	20
2.	Security Pacific Model Questions and Answers for Discussion Leaders	21
3.	Pfizer Statement of Corporate Philosophy	22
4.	McDonnell Douglas Corporation Code of Ethics	24
5.	Nestlé Profile	25
6.	JCPenney Hypothetical Situations and Analyses	26
7.	American Can Company Corporate Conduct Questionnaire	27
8.	General Dynamics Ethics Program Organization	29

Why This Report

For many CEOs a company's ethical principles help define the corporate mission, determine obligations to various constituencies, and set guidelines for the organization's policies and practices. These business leaders tell us that ethical concepts are an important unifying force for companies confronting an intensely competitive environment and involved in diverse business enterprises throughout the world.

This report explores how 300 CEOs and senior executives worldwide assess the ethical content and importance of over 25 highly visible, complex issues. Carefully designed examples illustrate how senior executives respond to practical situations that pose ethical dilemmas. These cases can be useful to companies in establishing ethics discussion groups. The study's analysis of how companies develop codes of ethics and educational programs should also be valuable to firms designing or reviewing these important subjects.

We are grateful to the 300 executives in the United States, Canada, Europe, Japan and Australia who responded to this detailed survey and to the business leaders in the United States, United Kingdom, Belgium, France and Switzerland who participated in interviews for this study.

JAMES T. MILLS
President

Highlights

Corporate ethics is a topic of increasing concern to the public and the business community. Rather than dealing with the question of whether or why business institutions are more or less ethical than in the past, this study focuses on more practical issues, such as how companies identify ethical problems and how they articulate and inculcate their ethical principles—challenges that all managers face. Based on a survey answered by 300 U.S. and non-U.S. firms, an analysis of 238 corporate ethics codes, and interviews with over 30 U.S. and European CEOs and senior managers, this study shows:

- *How Senior Executives Define Ethical Issues.* (Chapter 1) The 300 survey participants assessed whether 27 specific business issues involve ethical questions, are important to business, and need further policy discussion within their companies. The participants identify six out of the 27 as the most important ethical issues for business over the next five years: (1) environmental protection, (2) product safety, (3) employee health screening, (4) security of company records, (5) shareholder interests, and (6) workplace safety.
- *How Senior Executives Respond to Practical Situations that Raise Ethical Issues.* (Chapter 2) Participants were asked how they would handle four hypothetical cases involving (1) a business meeting at a resort, (2) permissible toxic emission levels and a "whistle-blowing" quality control inspector, (3) an acquisition and layoff, and (4) inside information. Roughly one-third of the executives also submitted detailed comments explaining their decisions. The cases illustrate how top managers apply ethical principles to specific situations; they may also be useful for companies designing ethics discussion programs.
- *How Companies Develop Codes of Ethics and Educational Programs.* (Chapter 3) Codes of ethics are a major vehicle for enunciating a company's standards. Slightly more than three-quarters of the survey participants have codes, but they are significantly more common among the U.S. and Canadian participants. Over 90 percent of the codes studied have been in effect for more than three years. Senior managers are the most frequent participants in drafting ethics codes, but companies also confer with their legal departments and Boards of Directors. Occasionally, founders, members of the founder's family, or consultants are also involved.

The majority of codes define the company's ethical standards in terms of its obligations to the constituencies it serves. Employees, customers, and suppliers are the groups that are most frequently mentioned. Many codes also include statements regarding employees' families, local communities, shareholders, and home-country or foreign governments.

Senior managers report some difficulty in winning acceptance for codes and in discussing ethical issues with colleagues and subordinates. Complaints that codes are mere rhetoric and public relations, or that they are accusatory, are fairly common. Executives with responsibility for distributing and explaining codes say that it is important for companies to be prepared to deal with these criticisms.

Survey participants were closely divided on whether codes ought to have penalties, but many companies that have such sanctions have not imposed them within the last five years.

Forty-four percent of the companies with codes also have ethics discussion or training programs; these vary in format, from brief exchanges to longer sessions in which hypothetical situations are used to analyze ethical issues.

Is There an Ethics "Crisis" In Business?

Magazine cover stories and newspaper headlines suggest that business institutions are facing a crisis of public confidence over their ethical performance, but recent polls are inconclusive. Gallup survey data show that the public's view of the honesty and ethical standards of business executives has changed little in the last decade, with roughly one-fifth of the respondents in 1976 and 1985 having an unfavorable view.

In contrast, a more recent *New York Times* survey (April 29-May 1, 1986) suggests far more suspicion of business as a whole and of executives in particular—"53 percent said white-collar crime in business is committed 'very often.'" Among this sample, attitudes on business honesty appear to affect the public's perception of corporate contributions to communities and effectiveness in maintaining environmental and product safety and quality. Those who considered corporations to be especially dishonest also gave them low marks in areas like product safety.[a]

Editorial comment and polling data are not conclusive as to the public's confidence in corporate ethics, but CEOs and top managers are concerned about potential public mistrust of business and they allude to four general perceptions that contribute to this climate: (1) the equation of size with power, along with the fear that "power corrupts;" (2) concern over the potential social impact of actions taken by large institutions; (3) the belief that the activities of major companies are so complex that, despite top management's best intentions, they are impossible to control; and (4) the apparent disparity of power between big corporations and their critics, which makes a dispute look like a "David and Goliath" struggle.

[a] *Public Opinion*, November-December, 1986, pp. 21-22; *New York Times Magazine*, June 8, 1986, p. 69.

About This Report

A total of 252 U.S. and 48 non-U.S. companies responded to The Conference Board's survey of 2100 U.S. and non-U.S. businesses. The median 1985 sales figure for these participants was $1.26 billion. Two-thirds of those responding to the questionnaire were CEOs; others include Chairmen, Vice Presidents of Human Resources and Public Affairs, and General Counsels.

Members of The Conference Board's Public Affairs Research Council, a group of senior-level executives, offered comments and suggestions on the list of issues developed for the questionnaire. The Board's European Public Affairs Council contributed valuable perspectives on the case studies. Interviews with over 30 CEOs and senior managers in the United States, United Kingdom, Belgium, France, and Switzerland, as well as with academics, journalists, and consultants who specialize in ethics, provided additional insight and perspective.

Another source of information was the Board's Watson Research Collection, which includes 238 corporate codes of conduct. About 30 of the companies responding to the survey have codes on file in this collection.

Chapter 1
Defining Corporate Ethics

U.S. and European CEOs and senior managers view corporate ethics as a subject to be dealt with at three levels, each more specific than the last: (1) *the corporate mission,* (2) *constituency relations,* and (3) *policies and practices.*

The most easily recognized and universally applicable category is the *corporate mission.* Executives interviewed say that the enterprise in which they are engaged, and the products or services that they market, ought to serve an inherently ethical purpose. They believe that a company's primary ethical responsibilities are defined by the nature of its corporate objectives. Thus, a pharmaceutical concern will see its objectives as serving ethical purposes—promoting better health and saving lives. Food companies see their ethical mission as improving nutritional standards, while maintaining price levels that their poorest customers can afford.

Corporate managers speak of *constituency relations* in formulating their company's ethical standards. This effort usually entails statements of corporate responsibility to any or all of the following: employees, local communities, customers, suppliers, shareholders, home-country and foreign governments, and in some cases, the general public. The majority of the corporate codes of conduct examined describe the company's commitment to these groups, rather than prescribe ethical conduct for specific situations.

The former Chairman of a large Japanese company summarizes this view of constituency relations: "Our responsibility is not only to our stockholders, but to our clients, our employees and their families, our local community residents, and indeed all of society at large. Our profit comes about through our effort to promote the prosperity of the community as a whole."

There are significant differences of opinion in the role that ethics ought to play at the third level—in evaluating *policies and practices.* Ethics, as the Vice President of Public Affairs of a Swiss multinational notes, can be "a key that opens all doors," the guiding principle behind every decision. But there is no widespread agreement among business leaders that this should always be the case. Some executives argue that ethical considerations are inappropriate for many management decisions and policies because, under certain circumstances, public commitments to ethical principles can give way to business and administrative priorities; or the potential connection between ethical commitments and broad social policies can make the company a target for pressure groups.

For example, while assigning ethics a place in business deliberations, an aerospace executive voices reservations: "The broad definition of ethics may permit the media, special interest groups, and the government to increase pressure on business to address areas that they are currently not equipped to handle. Companies should be concerned with business ethics in dealing with employees, suppliers and customers. They should not be involved in social, political or moral issues such as abortion, South Africa, sexual preference, and other personal moral issues."

Other executives are uneasy about the potential conflict between corporate ethics programs and management roles. The Director of a corporate ethics program commented that, among high level executives, "Discussion of the subject generates discomfort. The word suggests a mass confessional. It raises issues that are thought to be more relevant to philosophical discussions. People wonder what sort of new demands an ethics program will make on them. Will they be expected to act as judge, detective, guru, teacher, grand inquisitor, or guiding light to the employees that they supervise?" These roles and the tasks that go with them all imply new, difficult, and uncomfortable supervisory requirements for executives.

Current Issues in Corporate Ethics: The View from the Top

A corporation develops its ethical standards in response to the issues it confronts in pursuit of its business objectives. Viewed in this light, a profile of a company's ethical concerns sheds light on how it reconciles management and business priorities with public policy questions. The Conference Board asked CEOs of major companies which of 27 highly visible issues—in their personal opinion—also involve *ethical considerations* for business, how important each issue will be for business over the next five years, and which problems require further attention in their own companies.

Chart 1: Ethical Categories of Current Corporate Issues

The issues CEOs were asked to comment on fall into these general categories:

Equity	Rights	Honesty	Exercise of Corporate Power
Executive Salaries	Corporate Due Process	Employee Conflicts of Interest	Political Action Committees
Comparable Worth	Employee Health Screening	Security of Company Records	Workplace Safety
Product Pricing	Employee Privacy	Inappropriate Gifts	Product Safety
	Sexual Harassment	Unauthorized Payment to Foreign Officials	Environmental Issues
	Affirmative Action Equal Employment Opportunity	Advertising Content	Disinvestment
	Shareholder Interests	Government Contract Issues	Corporate Contributions
	Employment at Will	Financial and Cash Management Procedures	Social Issues Raised by Religious Organizations
	Whistle Blowing	Conflicts between the Corporation's Ethical System and Accepted Business Practices in Foreign Countries	Plant/Facility Closures and Downsizing

These 27 problems generally fall into four basic (and somewhat overlapping) categories (Chart 1):

Equity is generally used to mean basic fairness, apart from any established legal or human right. For example, executive salary scales are sometimes the subject of controversy when critics say that it is inequitable for certain employees to annually receive thirty or forty times more than the lowest paid worker in the firm.[1] Some arguments for comparable worth are also rooted in an ethical appeal to greater fairness in determining the material rewards for work.

Equity issues are not limited to salary and pay considerations, however. They can also arise in the pricing discretion companies are permitted under applicable law. As is the case with compensation practices, ethical questions can be raised with regard to either results or the means used to attain them.

Rights are treatments to which a person has a just claim. The origin of the claim may be legislation, legal precedent, or community notions of dignity. Modern views of rights are generally protective in nature. They seek to defend individual autonomy from encroachment by powerful institutions or the community at large.

Societies accept the concept of rights to varying degrees. The Japanese, for example, rely heavily on their traditional concept of reciprocal obligation, which mandates discussion, conciliation, and adjustment of differences instead of an appeal to abstract concepts of justification. Rather than filing lawsuits, Japanese who allege discrimination usually form a "victims group" that negotiates with company representatives. The resulting accommodation does not set a precedent, but it establishes a basis for an ongoing dialogue.[2]

[1]For a good sample of opinion for and against high executive salaries and bonuses, see Robert C. Solomon and Kristine Hanson, *It's Good Business.* Harper and Row, 1985, p. 205.

[2]Allen R. Janger and Ronald E. Berenbeim, *External Challenges to Management Decisions: A Growing International Business Problem.* The Conference Board, 1981, Report No. 808, pp. 48-68.

Corporate due process, protection for "whistle-blowers" and shareholders, and erosion of the employment-at-will doctrine are examples of "rights" issues that arise in the corporate context. Equal employment opportunity began as an equity problem, but has achieved the status of a "right" to some degree in the United States.

Dignity is a subcategory of rights, where protection is rooted in the community's sense of elemental decency rather than regulated by specific constitutional, judicial, or legislative mandates. For example, employee privacy and sexual harassment are issues subject to increasing legislative and judicial activity, but the legislative and judicial systems have yet to find an absolute formula for extending these rights to employees.

One of the more difficult dignity issues is employee health screening, because it can involve a conflict of ethical principles. Some see it as invading employee privacy in the interest of social responsibility. The CEO of a U.S. manufacturing company raised this issue when he said: "The right to screen, particularly for drug abuse, is essential to maintaining a safe, competitive work place. To the extent that there is inherent conflict between screening and employee privacy rights, the issue should be resolved in favor of safety and competitiveness."

Honesty in corporate ethics relates to the integrity and truthfulness of a company's actions or policies. Issues of honesty arise both in connection with corporate behavior and with employees acting under the company's nominal supervision. Misleading advertising, questionable financial and cash management procedures, "gifts" for foreign officials, and waste or fraud in the performance of government contracts are examples of corporate behavior that may be labeled dishonest.

Other honesty issues arise in connection with the company's responsibility to supervise those who act in its name, and the reciprocal obligation of employees to observe company and community standards in their business dealings. The misappropriation of proprietary information for personal enrichment, or to

help a competitor, is an abuse of trust. Acceptance of inappropriate gifts can corrupt the purchasing process. Conflicts of interest between employee activities outside the workplace and company interests can create situations of divided loyalty. In all of these circumstances it is the employee who has an ethical responsibility, but a company cannot escape the consequences of lack of proper supervision.

Exercise of corporate power. Corporations recognize a responsibility to contribute to community enterprises that are consistent with their mission and with their commitments to the various constituencies they serve. Corporate financial and executive assistance and efforts to generate public support for programs are believed to be an important element of the company's ethical profile. Decisions of U.S. companies to support policy positions through political action committees are recognized as a responsible exercise of corporate power; but depending on the individual or policy supported, these activities may raise ethical questions.

Business organizations also acknowledge the ethical component of adhering to standards for workplace, product and environmental safety. Workplace concerns appear to have given rise to a second generation of issues. For example, the CEO of a Canadian bank noted that there was some concern (which he believed to be unfounded) regarding "the longer term effects of CRT screens on physical or psychological health." A group of Swiss executives anticipate pressures in their company to restrict smoking to certain areas.

Beyond generally accepted responsibilities, more controversial positions advocated by religious or political groups may raise ethical questions that have an impact on corporate policy and practices. In recent years, companies have faced external pressures to disinvest from South Africa. The business community has been divided on this issue. Some companies have withdrawn from South Africa; but in interviews, one CEO and several top managers argued that the ethical position is to remain in South Africa, because they believe foreign investment is a critical lever for social change in that country.

Is This an Ethical Issue for Business?

Each of the 27 survey issues (Chart 1) was identified by a substantial number of respondents as posing ethical issues for business, but some topics were cited more often than others. The range among individual problems assessed as "ethical" varies from 37 to 91 percent (see Table 1). At the top of the list, with over 90 percent agreeing that the subject raised ethical questions for business, are *employee conflicts of interest, inappropriate gifts to corporate personnel,* and *sexual harassment.* At the other end of the spectrum are the three equity issues—*comparable worth* (43 percent), *product pricing* (42 percent), and *executive salaries* (37 percent).

U.S. and non-U.S. companies were in substantial accord as to the ethical content of all but four issues—affirmative action, sexual harrassment and whistle-blowing were regarded as more important by U.S. corporations; plant closures were of greater concern to the non-U.S. participants. Although 76 percent of the companies studied have a code of ethics (see Chapter 3), there was little difference between the responses of companies with and without codes.

Table 1: Is This an Ethical Issue for Business?
(300 Companies Worldwide)

Issue	*Percent*
Widespread Agreement (80 percent or more say "yes")	
Employee conflicts of interest	91%
Inappropriate gifts to corporate personnel	91
Sexual harassment	91
Unauthorized payments	85
Affirmative action	84
Employee privacy	84
Environmental issues	82
Moderate Level of Agreement (50-79 percent say "yes")	
Employee health screening	79
Conflicts between company's ethics and foreign business practices	77
Security of company records	76
Workplace safety	76
Advertising content	74
Product safety standards	74
Corporate contributions	68
Shareholder interests	68
Corporate due process	65
Whistle blowing	63
Employment at will	62
Disinvestment	59
Government contract issues	59
Financial and cash management procedures	55
Plant/facility closures and downsizing	55
Political action committees	55
No Consensus (less than half say "yes")	
Social issues raised by religious organizations	47
Comparable worth	43
Product pricing	42
Executive salaries	37

Which Issues will be Most Important Over the Next Five Years?

CEOs who identified an issue as ethical in nature were also asked how serious they thought the problem would be for business in the next five years. *Environmental issues, product and workplace safety, employee health screening, security of company records,* and *shareholder interests* were cited by more than two-thirds of these participants as critical or serious concerns for business in the next five years (see Table 2). Companies with official codes of ethics regarded employee conflicts of interest and unauthorized payments to foreign governmental or business officials with greater concern.

U.S. and non-U.S. companies agreed substantially about the potential impact on business of 21 of the 27 issues. U.S. concern was considerably higher with regard to five of the six remaining subjects: sexual harassment, political action committees, social issues raised by religious organizations, employment at will, and

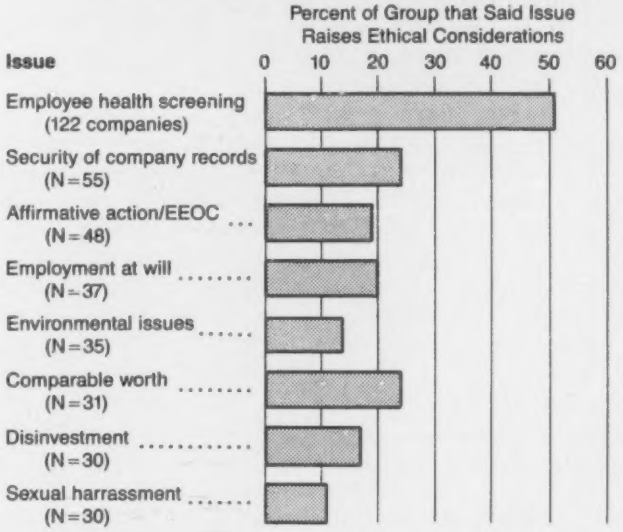
Table 2: How Important will This Issue be for Business in the Next Five Years?

Issue	*Number of Respondents Who Said Issue Gives Rise to Ethical Considerations for Business*	*Percent of This Group Who Think Issue will be "Critical" or "Serious"*
Very Important (70 percent or more checked "critical" or "serious")		
Environmental issues	221	86%
Product safety	192	78
Employee health screening	230	77
Security of company records	216	73
Shareholder interests	194	70
Workplace safety	214	70
Moderately Important (40-69 percent checked "critical" or "serious")		
Affirmative Action/EEOC	250	66
Disinvestment	137	64
Plant/facility closures and downsizing	149	64
Sexual harassment	266	64
Employment at will	179	59
Financial and cash management procedures	157	56
Corporate due process	188	51
Employee privacy	244	50
Governmental contract issues	132	49
Unauthorized payments	218	47
Conflicts between company's ethics and foreign business practices	193	46
Employee conflicts of interest	267	44
Product pricing	115	44
Political action committees	152	43
Comparable worth	121	41
Low Level of Concern (less than 40 percent checked "critical" or "serious")		
Advertising content	200	37
Inappropriate gifts to corporate personnel	260	36
Executive salaries	107	32
Corporate contributions	202	31
Whistle blowing	174	29
Social issues raised by religious organizations	119	21

Chart 2:

Ethical Issues that Require Additional Attention

(Responses among those companies that said issue gave rise to ethical considerations for business.)



(Issues checked by fewer than 30 companies are not listed.)

employee health screening. Non-U.S. companies viewed only one problem with greater seriousness than did their U.S. counterparts—comparable worth.

Which Issues Require Further Attention?

Only eight issues were regarded by at least 10 percent of the participants as requiring additional attention (Chart 2). *Employee health screening* was mentioned most often: Nearly half of the participants (122) said that their companies need to develop policies in this area, more than twice the number of respondents for the next most urgent issue, security of company records.

U.S. and non-U.S. companies have significant differences in outlook on health screening. Nearly 60 percent of the U.S. respondents thought their companies ought to pay more attention to it, while slightly less than one-third of the non-U.S. companies held that view. The issue is also regarded more seriously by U.S. companies—over 80 percent of them think it is a critical or serious problem, while only 37 percent of the non-U.S. firms see it in this light. Other differences between U.S. and non-U.S. companies include the greater concern of U.S. respondents with employment-at-will issues and the emphasis of non-U.S. participants on product safety.

Chapter 2

Responding to Practical Situations: Four Case Studies

To get a sense of how CEOs of major companies would manage specific situations that might involve ethical issues, survey participants were asked to respond to four hypothetical cases and to indicate whether their decisions involved ethical as well as business considerations. Respondents were asked for their *own* views rather than for statements of company policy. They were also given an opportunity to comment and roughly one-third did so for each problem.

Though the facts presented correspond to no individual company or occurrence, each case depicts real issues encountered by managers and those who research business practices. The cases presented and the questions asked on the survey are reprinted in their entirety. Each text is followed by a discussion that includes tabulation of the responses and representative comments by participants.

CASE ONE: Business Meeting or Vacation?

For the last several years Amberson Corporation has made occasional purchases of software packages from Hacker, Inc., a corporation located in Maui, Hawaii. Hacker produces a high-quality product which is generally more expensive than that of its competitors. Hacker has continued to press Amberson for business, because Amberson is very large and an industry leader.

Contrary to general practice in the software business, Hacker holds an annual four-day meeting in late February for important (and potentially important) customers at a popular local resort. Hacker's competitors complain that "these junkets are unfair and corrupt the purchasing process." Hacker argues that it uses this conference to explain its products and services and to learn more about the needs of its clients. A substantial amount of time is allocated for rest and recreation. All expenses (exclusive of transportation costs) are paid for by Hacker.

Amberson is re-examining many of its practices, and the policy of allowing corporate officials to attend the Hacker seminar has come under scrutiny. Under these circumstances:

Table 3: Case One Responses

	Number	*Percent of Responses*
1. Amberson should (check one):		
continue to allow corporate officers to attend the meeting	80	29%
discontinue attendance because Hacker's payment of expenses is a "gift" within the meaning of a credible corporate policy	196	71
2. In making this decision, Amberson (check one):		
is confronting ethical as well as business considerations	212	76
can resolve the issue by limiting discussion to business considerations	66	24
3. Hacker should (check one):		
discontinue the meetings	133	51
take no action	129	49
4. In making its decision, Hacker (check one):		
is confronting ethical as well as business considerations	175	64
can resolve the issue by limiting discussion to business considerations	97	36

Case One: Discussion

Amberson's current policy of attending meetings in Hawaii encountered more widespread disapproval (71 percent) than Hacker's practice of holding them (51 percent) (see Table 3). Mor

respondents concluded that Amberson's conduct raised ethical questions (71 percent) than held that view about Hacker (64 percent). This disparity suggests a general view that the customer has a greater ethical responsibility to discourage this practice than the vendor.

The Case Against Attending

Although there was general disapproval of Amberson's attendance, survey comments suggest that the individual circumstance, rather than any absolute principle, should determine a company's decision in this case. The length of the meeting (4 days), the particular location (Hawaii), the date (February), and the substantial amount of time devoted to rest and recreation weighed against acceptance of future invitations.

The CEO of a U.S. aerospace company summarized the views of many commentators: "Modest entertainment does not present an ethical issue; but as the level and duration of such entertainment increases, it eventually crosses the line and becomes a serious ethical issue. Four days in a popular resort with substantial time for 'rest and recreation' crosses that line."

Most objections focused on the trip itself, but a few respondents noted other factors. Amberson's occasional rather than frequent purchases seemed to some to undermine the business rationale for Amberson's attendance. The morale of Amberson employees who did not attend the meeting was also viewed as a serious concern by the General Counsel of an Australian company: "Allowing one or more staff members to participate may have serious impact on the morale of other employees. All such attendance should be banned in the interests of general corporate harmony."

The Case in Favor of Attending

Some respondents agreed with the Chairman of a U.S. chemical company who argued that Amberson executives should continue to attend the meetings "to learn as much about software technology and availability as possible." Others cited the benefit of contact with fellow users. The CEO of a U.S. manufacturer argued that the distinction between work and leisure is not all that clear in these kinds of meetings: "Most discussion during leisure or recreation time revolves around business matters. Formal meetings are not the only way to do business."

Formulas for Attendance

Several commentators tried to devise a formula whereby Amberson representatives could attend future meetings. For this group a key condition was that Amberson ought to reimburse Hacker for the expenses its employees incurred in staying at the Maui resort.

Other guidelines for continued participation included these terms: (1) 80 percent of the meeting must be spent on business, (2) the decision to send someone to the meeting should not be made by the person who attends, (3) Amberson executives should not go to the meeting every year, and (4) ultimate decisions to purchase Hacker products should be made by Amberson executives who did not attend the meeting.

Two Cautionary Notes

Two participants observed that more basic issues were at stake than the simple question of whether Amberson executives should go to the Hacker meeting. The Vice President for Human Resources of a utility company noted: "There are two questions that always need to be asked when making value judgments: Is it right? How does it look? It may be 'right' but it may not look 'right' to those viewing the action."

The CEO of another U.S. utility was quite specific as to why attendance of Hacker meetings did not "look right": "The meeting location is suspect *per se* because of the timing (February) and the facilities (resort), both of which have nothing to do with the product, convenience of travel, or economy of time. It looks more like a supplier-paid vacation than a legitimate supplier/customer encounter. Even if it were legitimate, the appearance taints the transaction."

The CEO of a computer company pointed out that Amberson's position as an "industry leader" adds weight to the importance of appearances: "The real ownership of the decision in this case is with Amberson ... Should Amberson (as an industry leader) not attend, the message sent to Hacker on this issue would be acknowledged, hopefully, by establishing more appropriate forms for the same business objectives. Sound ethical practices can exert as many positive influences as bad judgments can beget negative ones; they may not be as pleasurable, however."

Should Hacker Continue to Hold the Meetings?

This question elicited fewer comments than the issue of Amberson's attendance, and opinion was divided over whether Hacker should discontinue the meetings. In the opinion of the CEO of a Canadian oil company, Hacker's actions were not unethical because "it is merely replacing the cost of visiting the clients with the cost of entertaining them on its home turf, which is attractively located." Nonetheless, he concluded that Hacker should "discontinue the meetings because they could be construed as a gift to the client."

The President of a U.S. manufacturer argued that Hacker's assumption of expenses was a legitimate business practice and reflected the need to induce customers to make the trip: "Most businesses visit important suppliers. For a distance like Hawaii, a four-day meeting is not excessive—picking up expenses to get people to travel that distance is not unreasonable."

Some participants discounted reservations based on the meeting location (Hawaii) and time of year (February). A U.S. manufacturing CEO who supported continuation of the Hacker program noted "that its competitors were free to do the same thing," and a Canadian CEO saw no reason why Hacker should cancel meetings simply because of the company's location. However, he did conclude that as long as Hacker paid for the attendees' expenses and allowed substantial free time between its business meetings, it was "clearly exploiting its location in an unacceptable way."

Others argued that the meetings should be discontinued because they were contrary to general industry practice. The most

extreme disapproval came from a bank CEO who warned, "Sooner—rather than later—Hacker will learn that this corporate 'bribery' will corrupt its own sales staff as well, and lead them to think that the three B's—beef, broads, and booze—are a substitute for quality of product and service."

Do the Hacker Meetings Raise an Ethical Issue?

Several respondents attacked Hacker's meetings on economic grounds. A CEO of a Canadian bank noted that "to continue the inducements may simply force the competitors to follow suit. Then no one is better off and the cost of the practice must eventually be covered by higher prices." He also believed that in violating the industry's "unwritten rules of acceptable practice," the Hacker meetings raised ethical issues, and he concluded that "there are plenty of less flamboyant and seductive ways to inform customers of the virtues of Hacker's products. Hacker should save some money and sell its products on the basis of lower prices and high quality."

In addressing the issue of the Hawaii meetings, many study participants evidently sensed that economic and ethical issues at least partially overlapped. They said that if eliminating nonessential costs could enable Hacker to lower the price of its software, Hacker had the obligation to minimize its expenses by canceling the meetings. The CEO of a U.S. bank noted that Hacker's generally more expensive product was decisive in transforming a business question into an ethical one. He concluded that "this fringe [benefit] would not be viewed as an ethical problem if Hacker's prices were no higher than its competition and its products and services were as good."

CASE TWO: Toxic Emission Standards and a "Whistle-Blower"

Brookfield Corporation operates a plant that conforms fully to local requirements for maximum emission of toxic substances, as established ten years ago. The facility is inspected annually and toxic emissions have always been and remain well below the acceptable level.

Relying on recently published research, one of the company's quality-control inspectors argues that the *cumulative* effects of the low level of pollution from the plant entail a possible risk to public health. He says that public officials would agree, if they had known of these studies when the original figures were set.

Although there is some support for his views, most of the company's other quality-control inspectors disagree, and the community has not modified it requirements. Changing the manufacturing process would be costly—it would necessitate substantial layoffs and the plant is the largest single employer in the town.

Case Two: Discussion

Over three-fourths of the respondents felt that Brookfield should discuss the new data with local health officials and agree to stricter standards if the officials determine that the data are persuasive (see Table 4). Of the remaining group, 18 percent preferred taking no action to changing the manufacturing process; only 6 percent thought that the process should be changed. Consistent with responses to other survey questions on environmental issues, there was near unanimity (92 percent) that Brookfield is confronted with ethical issues in this situation.

Participants were considerably more divided as to what should be done about the quality-control inspector, and this problem elicited more comments than the question of toxic emission levels. A plurality (47 percent) would insist on his resignation, but nearly one-third (29 percent) said no action was the preferred alterna-

Table 4: Case Two Responses

	Number	*Percent of Responses*
1. Brookfield should (check one):		
change the manufacturing process to achieve lower levels of toxic emissions	16	6%
discuss the new data with local health officials and agree to stricter standards if they determine that the data are persuasive	205	76
take no action	47	18
2. In making the decision in question one Brookfield (check one):		
is confronting ethical as well as business considerations	260	92
can resolve the issue by limiting discussion to business considerations	22	8
3. The quality-control inspector is not satisfied with the company's decision and feels that it exposes the public to unacceptable risks. He has released company data to the press and his views are liberally quoted in local newspapers. He has worked for the company for 15 years and his personnel record is exemplary. Brookfield should (check one):		
insist that he resign. If he refuses, he should be fired	121	47
insist that he accept reassignment as a condition of future employment	59	23
take no action	75	29
4. In making the decision in question three, Brookfield (check one):		
is confronting ethical as well as business considerations	215	79
can resolve the issue by limiting discussion to business considerations	56	21

tive. Reassignment as a condition of employment was the least popular choice (23 percent). Whether respondents thought he should be fired or not, there was broad agreement (79 percent) that Brookfield is confronted with an ethical issue in dealing with its whistle-blowing inspector.

The Manufacturing Process

In the Brookfield case, an immediate change in the manufacturing process was favored by the fewest respondents. Two of the sixteen companies that preferred this course added comments to support their choice. (Both were financial institutions.) A U.S. bank CEO commented that "the asbestos and drug companies that have sought Chapter 11 protection failed to assess earlier risks and are now paying the ultimate price. Almost certainly they did not listen to or search out cautionary opinions!"

Among those companies that counseled discussion of the data with local health officials, two respondents felt strongly that changes in the manufacturing process were probably inevitable and that management ought to prepare for them. The former Chairman of a Japanese bank wrote: "Pollution control is a vital priority. The company should make the necessary investment, while seeking to avoid layoffs. Fulfilling the social responsibilities of the company should be the top priority, and a short-term reduction in profitability is unavoidable."

Layoffs were also on the mind of the CEO of a Canadian manufacturer who states that the company ought to begin immediately to prepare for them: "In the longer term (5-10 years) the manufacturing process will have to be changed and the layoffs accepted. Now is a good time to start a community small-business venture corporation to prepare to diversify job opportunities when layoffs begin."

The choice between sharing the data with local officials or taking no action also seems to depend on the severity of the emission problem. Although they would hold discussions with local authorities, two respondents urged that certain steps be taken first. The Executive Vice President of a U.S. bank suggested that "outside experts could be helpful in resolving the differences within the quality-control department." The CEO of a U.S. manufacturing company noted that the differences between federal and state standards ought to be checked before sharing the data, because local standards are sometimes "politically motivated and set unrealistically."

Those commentators who would take no action evidently found the information too limited to warrant the alternatives posed. While they recommended no action with respect to local officials, all saw a need for further investigation to resolve divisions within the company before making a final decision. The Vice President of a manufacturing company said "more facts are needed and fast." But he also warned that "in real life we never have enough facts to make a decision." For the CEO of a large U.S. multinational, the problem was not the amount of information being sought, but its source. "Local health officials and the press are not the source of reliable clarification. The company should have gone to toxicologists and expert consultants."

While even those respondents who would take no action acknowledged Brookfield's responsibility to evaluate the new data, a U.S. power company CEO said that this obligation ought to have limits: "Any information on health effects outside regulated levels raises ethical questions (e.g., the asbestos cases), but this does not mean that every company is a standard-setting organization." Without adoption of stricter requirements by local health officials, he concluded that "the company is entitled to rely on the health agency's continuing surveillance of public data. We are all aware of published but defective alarmist 'studies' and ought to be allowed to await consensus in these matters before acting."

The Quality-Control Inspector

Several commentators felt that the company's decision regarding the whistle-blowing quality-control inspector was contingent on whether the toxic emission data were shared with local health officials, but they differed as to how the whistle-blower should be handled. A manufacturing CEO said "If the data are being discussed with local health officials, the problem should be resolved by company and community representatives, and if the individual cannot abide by their decision he should resign." The CEO of another manufacturing company disagreed: "I see no reason to fire the inspector for expressing his opinion to the newspaper and including company data." But if the individual intentionally withheld information about the company's discussions with local officials, he would fire him. He concluded, "I believe he owed the company enough loyalty to present both sides."

The CEO of a Canadian bank thought that it was "untenable for the inspector to retain his position," but preferred reassignment because "to fire him under these circumstances would invite a public-relations disaster." The Chairman of a British manufacturer who favored reassignment warned of other complications: "While insisting that the inspector resign is not in itself illegal in the United Kingdom, this case would certainly constitute unfair dismissal and give grounds for legal action."

Those participants who were unsympathetic to the inspector focused on two elements of the situation: loyalty and his expertise or capacity to act. On the loyalty issue, a manufacturing executive wrote that "regardless of the merits of the issue, the company cannot tolerate employee disloyalty." But the executive also expressed reservations, noting that this case "is one of loyalty and one person's 'opinion' rather than fact. If the facts were clear and the company refused to deal with them, I might feel differently." (This executive believed the company should share the data with local officials.)

Those respondents who focused on the inspector's technical ability and authority to speak noted that "local health officials should determine standards. He is exceeding his authority by dealing with contention as if it were fact." An insurance company CEO, who said he would discuss the data with community representatives, agreed. He saw speaking to the press as a violation of his prerogative as the company's leader and public representative: *"As an ethical issue* I would not tolerate an employee who, after a full hearing, chooses to overrule me as

CEO. Arguing his position is *his* duty. Making the call is *my* duty. He has no right to be my boss and hold veto power over company and public health officials."

A common theme among those somewhat more sympathetic to the inspector was that, either through his fault or the company's, a "full hearing" on the issue had not occurred prior to the release of information to the press. A chemical corporation Chairman said: "The quality-control inspector should have loyalty to the company and should freely discuss his intended actions to release data to the press before doing so. Hopefully, discussion with management could convince him to work with local authorities so that the press doesn't create what could easily become a hysterical response on the part of the community."

Concern over adverse publicity and a possible lawsuit were also given by respondents as reasons for Brookfield to allow full discussion inside its organization. If the inspector persists and goes to the press, they favored moderation in dealing with him. A manufacturing executive summarized this view: "When an employee goes public it is too late for the company to act. It should do everything possible to listen and act prudently based upon employee concern. Discipline, if any, should occur early in the process if the employee is negligent or performing inadequately."

For many respondents the choice of what action to take may have depended on whether the inspector's disclosures would ultimately contribute to a solution or make it more difficult to achieve. Supporting dismissal, the CEO of a large manufacturer said, "the inspector blew a 'biased' whistle and probably precluded a rational solution." Another manufacturing executive who would take no action disagreed: "While the engineer's action is extreme, the result of his communication to the community will be to focus attention on the problem. This will help to get an eventual resolution which will ultimately benefit the company and the safety of the community."

CASE THREE: Acquisition and Layoff

Corona Corporation's industrial facility in Smithville is unproductive because the organization has not modernized plant or equipment within the last 25 years. As the necessary changes would now be too costly, the company has purchased a local facility from Dexter Corporation, a competitor. Although many of the workers at Corona's and Dexter's other facilities are covered by collective bargaining provisions that provide benefits in the event of a shutdown, these two plants are non-union. Neither company has a policy for non-union plant closures.

In announcing the deal, Corona's CEO told the press and community leaders that "we are going to keep the best people." In reviewing personnel records for the two plants, the human resources staff finds that they each have very different appraisal systems and there is no way to determine "who the best people are." A human resource staffer also says that due to the more advanced technology, the work in the new plant is organized very differently "from the way Corona employees are used to doing things. The most cost-effective solution is to lay off all the workers at the Corona plant." Under the circumstances:

Table 5: Case Three Responses

	Number	*Percent of Responses*
1. Corona should (check one):		
lay off all employees in the older plant	51	19%
dovetail the seniority lists of both plants and retain the needed number of employees on the basis of seniority. (This would give employees at Corona's plant a substantial advantage because the facility is older and has a higher proportion of workers with many years of service.)	64	24
retain employees from both plants based on the ratio of revenues each facility generated in the prior business year. (e.g., If revenues from both plants were the same, 50 percent of each workforce will be retained.)	111	41
(No answer.)	42	16
2. In making this decision, Corona (check one):		
is confronting ethical as well as business considerations	206	77
can resolve the issue by limiting discussion to business considerations	61	23
3. Dexter has (check one):		
no responsibility for former employees whom Corona does not retain	176	69
responsibility for former employees whom Corona does not retain	79	31
4. In making this decision, Dexter (check one):		
is confronting ethical as well as business considerations	199	76
can resolve the issue by limiting discussion to business considerations	63	24

Case Three: Discussion

Many respondents did not choose an alternative for Corona's staffing of the Dexter plant because they agreed with the French banker who flatly refused to accept the claim by the human resources staff that there is no way to determine "who the best people are." Largely as a consequence of this objection, only three-quarters of the sample answered question one. (This compares to an average participation rate of nearly 90 percent for the other hypothetical questions.) Taking this factor into account, it is reasonable to assume that approximately 42 participants would have answered "all the approaches listed are unsatisfactory" if they had been given the opportunity to do so (see Table 5).

Viewed in this light, there is no clear consensus as to how the problem should be handled. A plurality (41 percent) favored retention of employees from both plants based on the ratio of revenues each facility generated in the prior business year. The remainder of the sample was fairly evenly divided among the three other alternatives. Over three-fourths of the participants felt that the decision raised ethical as well as business considerations.

The issue of Dexter's responsibility was more easily resolved. Over two-thirds of the sample felt that Dexter had no obligation to former employees whom Corona did not retain. Nonetheless, over three-fourths of the participants thought the question of Dexter's obligation raised ethical as well as business issues.

What Should Corona Do?

Participants criticized Corona's CEO, (some of them felt that the company should find a new CEO) for telling press and community leaders that "we are going to keep the best people." This group thought that the statement limited the company's freedom of action. Members of The Conference Board's European Public Affairs Council, who worked through the problem at a recent meeting, commented that a CEO who made this kind of commitment had either failed to consult with the company's public affairs staff or received bad advice from it.

This view was not unanimous. The Chairman of a British multinational corporation defended the CEO, noting that the company's leader "has stated the correct ethical and commercial policy" and that all that is needed is "some degree of professional competence among the human resources staff to implement it."

There is also another possibility—that the Dexter plant's more advanced technology means that *its* workers are the "best" in terms of being able to operate it efficiently. A manufacturing Vice President who supported laying off all the employees at the older plant commented: "The CEO should not have committed the company to keep the 'best people' if he didn't have a way of identifying them and could not clarify what they were 'best' for. 'Most qualified' would be better."

Regardless of the alternative selected, the comments suggest that the underlying ethical issue is equity. But the staffing alternatives raise the issues of whether Corona's commitment to equity involves the process of selecting plant employees or should be limited to the treatment of those who are *not* picked. Focusing on equity for workers who were not selected, the Vice President of Administration for a Canadian transportation company recommended that the company lay off all the employees at the older plant, but added: "The Corona employees should be fairly dealt with and perhaps be given the first opportunity (upon possession of appropriate skills) for employment at the Dexter plant as vacancies occur."

For those who preferred dovetailing the Corona and Dexter seniority lists, the equity issue was important regardless of the additional expense that it entailed for Corona. The CEO of a Canadian bank recommended retention on the basis of seniority because of two "ethical considerations": "The CEO must try to keep his word; and by selecting the most senior employees, you retain those that would otherwise perhaps have the greatest difficulty adjusting to job loss." The lack of union representation was another reason cited for the company's obligation to rely on seniority: "Older and loyal employees must always be considered where they are not covered by a union contract."

Although favoring the use of seniority as "the fairest solution," because it retains "the employees with the greatest investment of time in the enterprise," a utility company CEO cautioned that this choice could cause problems because "it creates an older workforce, leaving less room for the mix of ages desirable along any career path." Notwithstanding, he preferred seniority-based selection to "simply abandoning the former workforce," which would "guarantee insecurity and disruption of the new one."

Commentators gave several reasons for the most popular choice—retaining employees from both plants based on the *ratio-of-revenues* each facility generated in the prior business year. A bank CEO alluded to the importance of blending the business considerations of plant efficiency with a regard "for the employees who have been long-term, productive, and loyal." In basing retention on revenue ratios, "both the business and ethical issues can be addressed—neither is fully addressed, but it is the best compromise."

For the Chairman of an insurance company, the credibility of Corona with its employees, the Dexter workers, and the public was the key factor in choosing the revenue formula. He said that "To maintain its credibility, Corona must retain some workers from both plants. Some explanation of the situation is in order to employees of both companies and to the public if there is sufficient interest in the issue." A third participant expressed unhappiness with the choices but felt that the revenue ratio approach was the best alternative because of Corona's weak moral position: "Corona has milked the plant and, therefore, is responsible for its inefficiency. It is not the fault of the employees. Fairness dictates an equitable solution."

Other commentators focused on how workers from each plant should be selected *after* the revenue formula is adopted. The president of a Dutch company recommended using a consultant to identify the best people. The CEO of an insurance company suggested emphasizing both seniority and competence because there is no bargaining agreement: "With no bargaining agreement, efforts should be made to respect seniority (not blindly) *and* competence. A blend can be achieved and be cost effective."

A newspaper executive who chose the revenue formula said that using the individual appraisal systems at *each* plant would be the optimal way of fulfilling the pledge to select the "best" people: "It would permit Corona to make a good faith attempt to identify the 'best' in comparison to others at *each* plant location. Presumably, a Corona or Dexter employee could be compared to other workers at their respective locations even if the appraisal systems don't mesh." Other approaches suggested include recommendations to offer retirement incentives to reduce the number of workers competing for vacancies and to select from the rest by (1) competitive examination, (2) interviews, or (3) a retraining program that screened the "best" workers.

Dexter's Obligation to Its Workforce

Roughly three-quarters of the respondents said that the question of Dexter's responsibility to its workforce confronted the company with ethical issues, but over two-thirds believed that Dexter had no responsibility for former employees whom Corona does not retain. Participants' comments shed light on this apparent inconsistency. There was widespread agreement that Dexter did have an obligation to its workers, but that this responsibility could best be discharged in its negotiations of the purchase agreement with Corona.

Typical of this view was the comment of an insurance company Chairman who said, "Dexter has responsibility for treating affected employees decently. However, it may be both practical and cost effective to have such responsibilities (e.g., severance pay, counseling, continuation of health plans) assumed by Corona as part of the acquisition arrangement." Without this kind of agreement, some felt that Dexter simply was in no position to act on its ethical impulses because, as the CEO of a large U.S. chemical manufacturer commented, "Dexter really has no choice in this matter. Corona, the purchaser, has the total decision-making power."

CASE FOUR: Inside Information

Ellis and Finlay, the second and fourth largest companies in their industry, are discussing a merger. The resulting entity would be the largest company in the industry.

The CEO's staff assistant at Ellis, who has no knowledge of the impending transaction, tells his wife, a partner in an arbitrage firm, that "the boss has been asking for a lot of information about Finlay." She reasons that Ellis and Finlay may merge and that competitive pressures are likely to result in a merger of Gaston and Halyard, the first and third largest concerns.

Using this information, her firm invests heavily in Gaston and Halyard stock. Ellis and Finlay eventually merge. Gaston and Halyard stocks go up on speculation in the wake of the Ellis and Finlay merger. The arbitrageurs make a substantial profit.

Case Four: Discussion

A majority of the participants (55 percent) would fire the staff assistant, while slightly more than one-third (34 percent) would insist that the wife resign her partnership in the arbitrage firm (see Table 6). Roughly three-fourths felt that the company and the arbitrage firm were confronted with ethical issues in making these decisions.

Should the Staff Assistant be Fired?

The sample was closely divided on the question of whether the staff assistant should be fired, but he got considerably less sympathy than his wife. Those who recommended firing the assistant tended to argue that he should simply have known that sharing the information with his wife was a serious impropriety that could embarrass the company, regardless of whether the disclosure was innocent or whether he gained from it.

Table 6: Case Four Responses

	Number	*Percent of Responses*
1. Upon learning of this transaction, the CEO of Ellis should (check one):		
fire the staff assistant	147	55%
take no action. He did not divulge true inside information	118	45
2. In making this decision, Ellis (check one):		
is confronting ethical as well as business considerations	211	77
can resolve the issue by limiting discussion to business considerations	64	23
3. The arbitrage firm should (check one):		
demand the partner's resignation	91	34
take no action. The firm knew her source and took a substantial risk based on limited information	177	66
4. In making this decision, the arbitrage firm (check one):		
is confronting ethical as well as business considerations	199	73
can resolve the issue by limiting discussion to business considerations	73	27

Participants inclined toward leniency noted that the assistant's comments to his wife were subject to varying interpretations and that others (including the CEO) shared some responsibility for his unauthorized "shop talk." They felt that at worst the assistant had committed an indiscretion for which job loss was too severe a penalty.

The greater tolerance for the wife's conduct may also have been due to a sense that employees of companies engaged in merger discussions should be held to different standards of conduct than arbitrageurs. Typical of this view were the comments of a Canadian banker: "Corporate employees are responsible for seeing to it that the internal information they possess is not used for profit. The custom in the brokerage industry is that all information can be used, regardless of the source, unless receipt or use is illegal." The CEO of a U.S. bank who favored firing the husband and retaining the wife said that the key element for him was whether the staff assistant intended for the wife to act on the information. He found that the facts were ambiguous on this point: "It is uncertain as to whether the staff assistant of Ellis's CEO understood that he was intentionally passing on material information to his wife with the view that she would act on it."

But a utility company CEO, who would fire the assistant *and* force the partner's resignation, did not see how the husband could assume that she would not use the information: "If the second merger was the logical outcome of the first, she acted on information that was not available to the public. In the circumstances, the assistant was not chatting with his wife; he was tipping an arbitrageur." Other participants agreed, and they observed that the staff assistant's failure to forsee his wife's use of the information was no excuse. Representative of this group was a comment by a U.S. manufacturing executive who said that "a staff assistant at that level should know better and should be fired for stupidity and lack of judgment."

Those who counseled moderation in dealing with the staff assistant based their decision on the degree of information he evidently possessed. The Senior Vice President and General Counsel of a U.S. transportation company, who recommended taking no action against the assistant, thought that the key point was how much the staff assistant actually knew: "Did the staff assistant know or have reason to know that the CEO's questions were motivated by merger considerations? We must distinguish between real inside information and loose talk about office activities."

How much the assistant knew depended on the extent to which the CEO shared information with him; and the CEO was not entirely blameless, in the view of a Canadian bank CEO who would retain the assistant: "The CEO should have told the staff assistant something of the impending deal and warned about the confidentiality of his information requests. The CEO shares responsibility for the leak, especially as he should have known of the wife's position."

It may be unreasonable, however, to ask the CEO to discuss information requests with the assistant: As the Senior Vice President and General Counsel of a freight company noted, "The employer had no practical way to tell the staff assistant not to make casual comments." The best way to avoid this kind of problem, he continued, is to have a long-standing policy against the disclosure of *any* information. If such a policy had existed, he concluded, "termination would have been appropriate."

Should the Wife be Forced to Resign?

Participants recognized that legal arbitrage activity often involves speculation based on inferences from circumstantial evidence. Most participants viewed the wife's actions with tolerance (two-thirds would not seek her resignation), and a number of comments suggested that the firm's substantial risk on limited information was the reason for recommending leniency. The Chairman of a U.S. manufacturer summarized this approach: "Logical conclusions or good guesses can lose as well as make money and are therefore perfectly moral." Although there was widespread consensus on harsher treatment for the husband, the CEO of a U.S. bank disagreed with the general view, and he would retain the staff assistant and seek the wife's resignation because "she should have exercised prudence and not used the information to make intelligent anticipations of what might happen."

The greater risk entailed by avoiding direct use of inside information impressed the Chairman of a U.S. utility company: "The wife's use was innovative and speculative, and it avoided the direct use of buying Ellis and Finlay stock—which is what a couple with larceny in their hearts might have done." Not only was the risk substantial, but, as the CEO of a U.S. life insurance company observed, the arbitrage firm's profits were due to the partner's luck rather than the unethical use of inside information: "She made three lucky guesses: (1) Ellis and Finlay would merge—the information requests did not mean that a merger would occur; (2) the consequential merger of Gaston and Halyard was not all that imminent; and (3) Gaston and Halyard stock would go up—not necessarily a good assumption (one might rise; the other could drop). She's lucky—not smart."

The underlying assumption of these comments is that the substantial risk taken on the basis of circumstantial evidence is a defense against charges of ethical impropriety. The President of a U.S. manufacturing company disagreed with this formulation, but would not insist that she resign: "The wife and her firm *both* knew the act was wrongful—thus simply firing a partner is not the answer. It is equally inappropriate to do nothing since it implies that no action should be taken because the firm took a risk."

Others felt that the wife should not have to resign because it was the *firm* that made the decision to buy Gaston and Halyard stock. This view does not necessarily endorse her behavior or suggest it was ethical, but it shifts responsibility. The CEO of a Canadian bank articulated this rationale: "There would be no grounds for causing the wife to resign from her firm. The firm decided to act on the tip, presumably knowing the circumstances under which it was obtained. If the firm believed it would be wrong to act on improperly obtained information, it would have (collectively) decided to ignore the tip and not invest. The wife acted improperly and compromised her husband, but this does not give grounds to her own firm to release her."

For many commentators, leniency for the wife did not extend to the firm. Some participants said that it should be censored for acting on the information. The Chairman of a U.K. manufacturer observed that "the arbitrage firm would not have made the profit if the staff assistant's comments had been reported in the financial press," and he felt that the real ethical question for the firm was "its obligations to the staff assistant."

Chapter 3
Codes of Ethics and Educational Programs

For many companies, a code of ethics is a major vehicle for stating ethical principles. Of the 300 respondents to The Conference Board's survey, 227, or 76 percent report that their company has a code.[3] Slightly less than half of that group (101) also view an ethics training program as a useful supplement to their codes. Fourteen companies have training programs but no official ethics code.

Not everyone thinks codes are a good idea. One major argument against codes (and the whole concept of "corporate ethics") is that they are an inappropriate responses to the hostility directed at business institutions.[4] A few of those who were interviewed felt that good internal auditing and legal constraints provide sufficient ethical guidance; codes are superfluous. Even company officials who favor codes do not argue that they necessarily deter willful misconduct.

Three executives of a large Swiss multinational company saw codes primarily as a cultural phenomenon. They observed that business leaders in certain countries are more willing to describe and discuss their ethical positions than are their counterparts in other regions. They placed U.S., Italian, and Scandinavian corporations in the first category and Swiss, French, German, and Dutch companies in the second. Although the Conference Board's survey response was not large enough to substantiate this country by country hypothesis, it appears that codes are less prevalent outside the United States and Canada (see Table 7).

How effective can codes and education programs be in raising a company's standard of ethical performance? The general view among those interviewed is that codes have a limited effect in deterring the misbehavior of intentional wrong doers. But companies believe that such efforts can help to make employees aware that ethical considerations are factors that ought to be considered along with economic and social pressures in making business decisions. More importantly, these ventures demonstrate that the company is fully committed to stating its standards and is asking its workforce to incorporate them into their daily activities.

Table 7: Regional Prevalence of Company Codes of Ethics

(294 companies responding)

	Number	
	Company has Code	*Does not have Code*
United States	195	53
Canada	16	0
Europe	9	10
Japan	2	4
Australia	2	1
Other	1	1

Reasons for a Code of Ethics

Interviews with executives and public statements by CEOs suggest six principal reasons why companies have adopted codes of ethics: (1) commitment of the CEO; (2) maintenance of pub-

A Note on Source Material

This chapter draws upon three sources: (1) survey responses of 300 participating companies; (2) The Conference Board's Watson Research Collection of 238 corporate codes of conduct; and (3) interviews and discussions with key participants in code drafting.

Charts and tables utilize the survey data; comments on code content and structure are based on analysis of the Watson Research Collection. Descriptions of the code-drafting process rely on interviews.

[3]Study by Bentley College Center for Ethics found a comparable percentage of written codes among survey participants. See *Bulletin to Management*. The Bureau of National Affairs, Inc., December 11, 1986, p. 412.

[4]For an argument against the effort to define ethical imperatives that apply to business conduct, see Peter F. Drucker, "What Is 'Business Ethics'?" *The Public Interest*, Spring, 1981, pp. 18-36.

lic trust and credibility; (3) greater managerial professionalism; (4) protection against improper employee conduct; (5) need to define ethical behavior in light of new laws or social standards; and (6) change in corporate culture or structure (decentralization, acquisitions, and the like).

• *Commitment of the CEO:* Ask top managers where the idea for their company's code of ethics began, and they will most likely refer to the CEO. All of those interviewed cited CEO support as a critical element; other factors appear to depend on the individual company. One CEO commented that the idea for a code grew out of his experience with the Boy Scouts of America. He formed a task force, gave the members a copy of the Scout oath and law, and said, "Start with this. I don't want our code to look like the Boy Scout oath and law, but I want all points covered there to be in our code."[5]

Another firm's Vice President and General Auditor, who chaired his company's task force for developing a code, recalled that the CEO wanted "the idea of doing things in the right way built into the corporate culture. He sought a corporate climate in which ethics was incorporated into decision making. He thought the best way to do this was to start at the top."

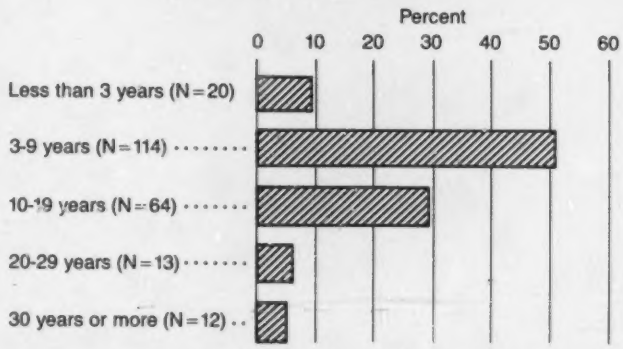
An event in another company can precipitate the CEO's interest in drafting a code. In one instance, the CEO of a large bank read about how heavily Johnson & Johnson's top managers relied on the "credo" in handling the Tylenol crisis and decided that a code could provide valuable guidance in difficult situations.[6]

• *Maintenance of Public Trust and Credibility:* Every business contract is founded on an implicit assumption that the company has reconciled ethical standards with the business imperatives of greater efficiency, hierarchical command structures, and secrecy. Some executives believe that making these understandings explicit adds an ethical dimension to the manager's role and thereby lends greater legitimacy to management decisions.

• *Greater Managerial Professionalism:* The hallmark of professions familiar to the public—law, medicine, accountancy—is adherence to general standards of public accountability. Certain business specialties (such as purchasing management) that seek to achieve recognition as professions have developed their own standards for appropriate performance. There is also a model code of business responsibility for professional managers.[7]

Meetings, conferences, and associations that convene to discuss issues of mutual concern may also be catalysts for the development of company codes. Commenting on the importance of these networks, a Director of Employee Communications recalled that at a recent meeting of senior personnel managers, "There was great interest in ethical problems. People were concerned about situations that raised issues as to whether the personnel department was on the side of the employee or the company."

Chart 3: **How Long Has the Company Code of Ethics Been in Existence?**
(223 companies responding)



• *Improper Employee Conduct:* Improper employee conduct is another reason for the issuance of some company codes. In a few instances the abuses have been significant enough to attract national attention, but the usual case involves concern that incidents involving misappropriation of funds, conflict of interest, acceptance of a gift, or theft of proprietary material may become widespread.

• *Need to Define Ethical Behavior in Light of New Laws or Social Standards:* Changes in legislation, case law, or social trends may also trigger the need for a code. Survey respondents cited several factors in particular: the Foreign Corrupt Practices Act, the Bank Bribery law, employment discrimination, antitrust legislation and cases, and increased concern with sexual harassment and drug abuse in the workplace.

• *Changing Corporate Culture and Structure:* Decentralization can lead to less corporate supervision, while acquisition of new businesses brings companies with different cultures under one corporate umbrella. A Vice President who coordinated his company's efforts to develop a corporate code put it this way: "We were acquiring a lot of businesses in different industries, and we wanted to make sure that they understood our way of doing things."

Drafting a Code of Ethics: A Dynamic Process

For most of the companies in the survey, codes are not a recent development—90 percent of the study participants with codes have had them for more than three years (Chart 3). Among responding industry groups, financial firms were somewhat less likely to have codes than are companies in other industries. Issuing a code often initiates an on-going process of discussion, reflection, and change; 56 percent of responding companies with codes amended their statements within the last three years.

The three companies whose drafting procedures were studied

[5]Sanford N. McDonnell, "The Code a Company Lives By." *Directorship*, April 1986, pp. 1-2. Other commentators have also noted that the Boy Scout ethos is a useful source for moral guidance. "Indeed, this [Boy Scout] handbook is among the very few remaining popular repositories of something like classical ethics, deriving from Aristotle and Cicero." Paul Fussell, *The Boy Scout Handbook and Other Observations*. Oxford University Press, 1982, p. 6.

[6]Tylenol capsules (pain relief medication manufactured by Johnson & Johnson company) were poisoned on more than one occasion; Johnson & Johnson eventually withdrew the capsule form of the product from the market.

[7]Charles E. Harris, "Structuring a Workable Code of Ethics." *University of Florida Law Review*, Vol. XXX, 1978, pp. 310-382.

Drafting a Code: A Detailed Look at One Company's Experience

Managers who have been involved in code drafting would most likely agree with an observation by Irving Margol, Executive Vice President of Security Pacific Bank, who said, "If all you want to do is to write a code, you can look at existing codes and write the statement quickly, but for a living document you need a top-down bottom-up approach and this takes time."

Security Pacific Corporation's account of its experience was the most detailed of those studied. More than 70 senior managers (executive and senior vice presidents) volunteered to participate in the formulation of the first draft. An outside consultant was also retained to help the group to focus its discussions. The drafting process began with the identification of key objectives by Security Pacific's CEO and these resulted in the following ground rules:

(1) The Credo will describe both current ethical practices and ideals for the future;

(2) The Credo will apply to all sectors of a diverse institution;

(3) The Credo will be generic enough to address varied issues while remaining "operational;"

(4) Management will actively participate in all phases, particularly implementation; and

(5) All staff will be involved on an ongoing basis.

The survey data confirm that most companies use a collegial method in formulating their codes; Security Pacific's use of an outside consultant was not typical of the surveyed organizations (Chart 4).

Initially, each of Security Pacific's senior-level volunteers gave the consultant examples of difficult ethical decisions they had faced in their areas of responsibility. The volunteers then split into two groups and discussed how the examples of ethical dilemmas involved "balancing the mutually exclusive needs of those to whom the bank has an obligation." This required indentifying the individuals or groups to whom the bank has some form of ethical obligation. The consensus was that these groups included: communities, stockholders, employees, the corporation itself, and customers. This list is consistent with the constituencies that were identified as important by The Conference Board's survey (Chart 5).

The volunteers then discussed the ethical conflicts that could arise from the bank's commitment to each constituency and divided into smaller groups to determine the nature of the company's obligations to each. The consultant used this information to compile a first draft of the "Credo," which was then revised by lawyers and individual members of senior management. In addition to the preamble, the resulting code included statements with regard to: customers, employees, communities, and stockholders. It also noted the commitments of employees to the bank and to their fellow workers (Exhibit 1).

The Security Pacific volunteers developed a consensus for code dissemination while working on the text.

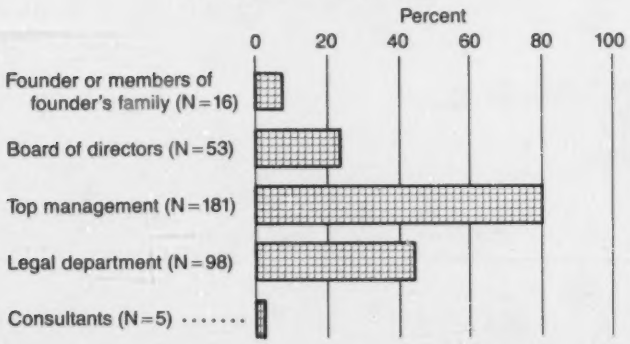
(1) Senior executives and the management teams should be personally responsible for dissemination of the credo.

(2) Rather than presenting the credo as an assertion of rules, the introduction should serve as a vehicle for discussing three basic questions: (a) "What are the employee's feelings about the Credo?" (b) "Are there any specific commitments they would like to discuss?" and (c) "How will the Credo affect the way Security Pacific employees work?" Group leaders were given a guide that included sample questions and responses to help them to lead discussions (Exhibit 2).

(3) There should be a rigorous follow-up on the introduction that would include focus groups, surveys, and interviews.

Chart 4: **Participants in Code Drafting**

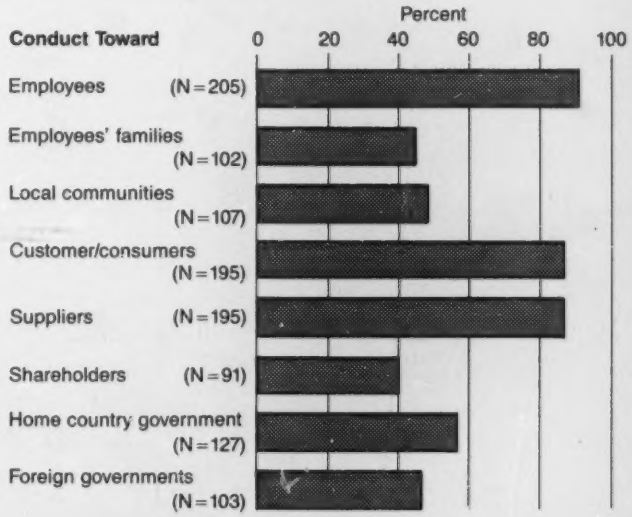
(225 companies responding)



for this report, relied on a carefully orchestrated series of meetings that involved managers and employees from various levels within the corporation. The companies emphasized the importance of achieving a consensus at each stage of the process so that the final product would represent the values and aspirations of the entire organization.

Chart 5: **Constituency Relationships Addressed by Corporate Codes**

(225 companies responding)



Code Formats

Each of the 238 codes in The Conference Board's Watson Collection utilizes one of three basic formats: constituency obligations, professional responsibility, or corporate mission. (Some codes combine more than one of these approaches.)

The most fully elaborated codes share two elements: (1) a carefully articulated statement of ethical principles that is rooted in the founder's philosophy, company business objectives, or organizational history and traditions; and (2) an explicit statement that *both* the company and its employees are bound by these precepts and will be guided by them in their dealings with fellow workers and the public.

- *Constituency Obligations:* Codes that focus on constituencies incorporate company commitments to the various groups the company serves. Commitments to employees, customers and suppliers are most frequently addressed by the codes of survey participants (Chart 5). (In an interesting sidelight, four survey participants said that their codes also referred to competitors.)

Companies voice their pledges in a variety of ways. In some instances, the constituencies and the obligations to them are listed (Exhibit 1). In other cases the company will acknowledge duties to individual constituencies in the statement of its corporate philosophy (Exhibit 3).

- *Professional Responsibility:* Ethics and conduct codes tend to be longer and more comprehensive than constituency statements. They begin with a series of general company principles regarding appropriate ethical and business conduct (Exhibit 4). Typically, a page or two of specific policies will also be included.
- *Corporate Mission:* In principle, a mission statement is distinguishable from a code of conduct because it does not direct employee conduct in general or specific circumstances. In practice, however, detailed mission statements that enunciate a company's commitment to achieving its business objectives in a manner consistent with its ethical principles can operate as a code by which the company will be bound (Exhibit 5).

When asked to submit their codes of conduct to the Watson Collection, some companies supplied policy statements for specific circumstances. These direct employee conduct, but do not incorporate a company "world view." The topics in the examples submitted to The Conference Board included: conflict of interest, social responsibility, antitrust, and political contributions.

Improper Conduct and Penalties

Code drafting committees must also consider whether the code will include specific illustrations of improper conduct. Although roughly three-quarters of the survey participants said their codes included "illustrations of improper conduct" analysis suggests varying interpretations.

In a majority of cases improper conduct implies a directive regarding particular business activities. A few companies went a good deal further and provided hypothetical situations and an analysis of how problems ought to be resolved (Exhibit 6).

Companies are most closely divided on the issue of whether a code should have penalties. Fifty-eight percent of the respondents said that their codes contained sanctions for improprieties. An opposing viewpoint was voiced by the Chairman of a code task force: "We felt that there was no need to include penalties in the code. Employees know that they will be fired if there is a serious breach and that we will take legal action—including referral to the appropriate authorities—where potential criminal violations are involved."

Table 8: Penalties for Violations of Corporate Codes of Conduct
(225 companies responding)

Penalty	Have Penalty		Imposed within Last Five Years	
	Number	Percent	Number	Percent
Termination	119	52%	73	61%
Suspension	67	30	30	45
Demotion	43	19	19	44
Probation	47	21	24	51
Appraisal comments	32	14	19	53
Other penalty	24	11	9	38

Other participants feared that penalty sections could send the wrong message to employees. They believe that a code ought to have a supportive rather than a punitive tone and should emphasize "do's" instead of "don'ts." One ethics program coordinator put it this way, "It is more important to get questions than to catch people. Last year one-third of our inquiries involved allegations, and about 10 percent of these charges resulted in some sort of sanction. Most of the calls were from people who did not want to report improper conduct."

Termination is the most common penalty; 61 percent of the companies whose codes provide for this sanction have imposed it over the last five years (see Table 8). Twenty-four respondents said that they took some form of disciplinary action other than the penalties provided in the questionnaire. These actions fell into one of three categories: civil or criminal prosecution; salary reduction, loss of seniority, or loss of bonus; or mandatory counseling.

Distribution and Communication

For many companies, formulation and distribution of the code is an integrated process. As in the case of Security Pacific, the involvement of a significant number of top managers in drafting can serve as the first phase of distribution and communication. Those interviewed comment that high levels of managerial participation helps to build the commitment and confidence of the executives who will ultimately be responsible for presenting the codes to other employees.

Notwithstanding preparation, Security Pacific and other companies have found introducing their codes as challenging as drafting them. Interviews and questionnaire responses suggest that working through this stage requires resolution of two questions: Who will receive the corporate code? and What is the best way to communicate it?

• *Who receives the code:* Nearly two-thirds of the responding companies with the codes agree with a manager who said, "We give it out to everyone; you can't have only one class of corporate citizens with ethics." Over one-third of the remaining respondents distribute their codes to top and middle managers. Five companies limit code circulation to top managers.

• *Communicating the code:* Although managers get guidelines for code communication, they are generally given some latitude. Executives who report to the CEO get their copies from the CEO, and factory workers receive their codes from foremen and supervisors. As one ethics program Director noted, "The person the individual works for is in the best position to convey this information. If they cannot do it, who can or will? It is the same situation as a parent confronts with sex education."

Managers often say that distributing a code of ethics and emphasizing its importance to the company is not an enviable job. One executive said, "It was a real challenge to say to these managers, 'Here is an ethics book, you have to read it and understand the policies behind it.' People think you are questioning their ethics. Words like 'unfair' and 'outrageous' were among the comments heard in response. Some employees said 'Why are we getting this? We don't make decisions.'"

Senior managers also report that some employees are openly skeptical and view the codes as public relations vehicles, or "motherhood and apple pie" statements, or "just a piece of paper." Others complain that the codes are belittling rather than inspiring, that they are unrealistic and thus fail to address practical managerial issues, and that they are excessively legalistic and too compliance oriented.

Because a code implicitly elevates employees to the status of legislators and enforcers of the organization's ethical policy, many firms anticipate that existing practices are likely to be challenged. For example, a bank executive recalls that when his company introduced its code, certain units complained that only some of the groups competing for the same clients had access to complimentary baseball tickets. Minority and women officers also protested against private club memberships that gave their white male colleagues an edge in intra-organizational competition for new business. Discussion with companies about code dissemination suggests that such objections are inevitable and that they are best handled by preparing discussion leaders to respond to them.

To monitor code distribution and to promote employee understanding, some companies require a periodic written acknowledgement that employees have received a copy of the code and are complying with it. Other certification forms are more complex and ask the employee to respond to specific questions about their activities, and about the conduct of family members and fellow workers (Exhibit 7).

Compliance Oversight

Companies recognize that the introduction of an ethics program is a dynamic process, one that requires attention to compliance and occasional code amendments in the light of experience. For these reasons, an organizational structure is needed to oversee distribution and compliance and to supervise other aspects of the program. (General Dynamics, for example, outlines the responsibilities for implementation of its ethics program in the company's publication, *The Ethics Program,* 1985-86 (Exhibit 8).)

Ethics Discussion Programs

Ethics discussion programs are much more common in companies that have codes. Among the 227 companies with codes, 101 (44 percent) have such programs and those interviewed regard them as a useful supplement. (Only 14 organizations without codes have these discussion groups.) Ethics workshops are not a recent development for most of these companies; 68 of the firms with programs (over two-thirds) said these sessions began before 1983.

The companies with codes are fairly evenly divided on the question of which employees ought to attend these sessions. Nearly half (49) invite only senior and middle managers. About the same number (44) include all employees; a small group (6) limits involvement to top managers. Interviews suggest that some newer programs include only high-level executives but will eventually be used for a wider group of employees.

Most of the companies (91) hold at least some programs on-site and use company personnel as discussion leaders. Eighteen of the companies hold meetings on-site, but use outside experts or organizations for their programs. Nine organizations have off-site sessions with non-company moderators. A few companies use more than one approach.

Companies report that the give-and-take of these programs help to sensitize employees to ethical issues, broaden and deepen employee awareness of code directives, and underscore the commitment of the company to its ethical principles. The discussion groups vary in length and format. Some are limited to discussion of basic principles; more elaborate ones call for group members to work through hypothetical problems that present ethical dilemmas.

A program manager discussed one of his organization's "Standard of Corporate Responsibility" workshops in detail. The structure of this discussion and the material used are representative of the approach in many companies surveyed. The program lasted approximately five hours and was held in the city where the business unit is located. After a brief introduction, the participants discussed a case that involved "ethical issues vs. dilemmas."

The case was followed by roundtable discussion of business situations encountered by the participants that they thought raised ethical concerns. The manager said that this session helped to build a support group for dealing with recent problems, but was not particularly effective for getting the group to anticipate issues. The session may be dropped from future meetings.

After the discussion, the group worked through another hypothetical case, which illustrated a different theme—"Individual and Organizational Responsibility—Goal Pressure." In the final session, the participants were divided into groups and discussed ethical issues arising in connection with the company's various constituencies (e.g., customers, employees, etc.).

Senior corporate management meetings also include shareholders as one of their constituents.

This company's hypothetical cases and discussion technique embody themes and characteristics in fairly wide use:

(1) The ethical issues raised involve the situations that confront middle-level executives rather than senior managers or CEOs. That is, while CEOs and senior mangement set the ethical tone for a company, it is often the middle-level manager who must grapple with the practical implementation of these standards on a day-to-day basis.

(2) Fairly detailed information is provided to give participants a sense of the context in which these hypothetical events would occur.

(3) The case studies have "characters" whose personal circumstances and careers are fully documented.

(4) In dealing with these hypothetical cases—and with actual events—managers must reconcile personal values (e.g. loyalty and sympathy for colleagues) with company commitments to deal ethically with its various constituencies. This process is further complicated by pressures to achieve important business objectives within a certain time frame.

Executives who have attended these sessions say that the case discussions are the most successful part of the program—they give participants a sense of how to analyze and resolve ethical problems in a way that is consistent with the company's code or standards of corporate conduct.

Although the case studies were written by consultants, an executive involved in the program says in the future the company's business unit executives will formulate the cases because "we want them to have ownership of the program."

Exhibits

1. Security Pacific Corporation Statement of Corporate and Employee Commitments
2. Security Pacific Model Questions and Answers for Discussion Leaders
3. Pfizer Statement of Corporate Philosophy
4. McDonnell Douglas Corporation Code of Ethics
5. Nestlé Profile
6. JCPenney Hypothetical Situations and Analyses
7. American Can Company Corporate Conduct Questionnaire
8. General Dynamics Ethics Program Organization

Exhibit 1: Security Pacific Corporation Statement of Corporate and Employee Commitments

The basic objective in developing this Credo was to seek a set of principles and beliefs which might provide guidance and direction to our work, and to continue to build on what we already have. Conflicting pressures in today's highly competitive environment produce different measurements of successes that can accompany economic success. For that reason, we have shaped these six equally important commitments.

Commitment to Customer

The first commitment is to provide our customers with quality products and services which are innovative and technologically responsive to their current requirements, at appropriate prices. To perform these tasks with integrity requires that we maintain confidentiality and protect customer privacy, promote customer satisfaction and serve customer needs. We strive to serve qualified customers and industries which are socially responsible according to broadly accepted community and company standards.

Commitment to Employee

The second commitment is to establish an environment for our employees which promotes professional growth, encourages each person to achieve his or her highest potential, and promotes individual creativity and responsibility. Security Pacific acknowledges our responsibility to employees, including providing for open and honest communication, stated expectations, fair and timely assessment of performance and equitable compensation which rewards employee contributions to company objectives within a framework of equal opportunity and affirmative action.

Commitment of Employee to Security Pacific

The third commitment is that of the employee to Security Pacific. As employees, we strive to understand and adhere to the Corporation's policies and objectives, act in a professional manner, and give our best effort to improve Security Pacific. We recognize the trust and confidence placed in us by our customers and community and act with integrity and honesty in all situations to preserve that trust and confidence. We act responsibly to avoid conflicts of interest and other situations which are potentially harmful to the Corporation.

Commitment of Employee to Employee

The fourth commitment is that of employees to their fellow employees. We must be committed to promote a climate of mutual respect, integrity, and professional relationships, characterized by open and honest communications within and across all levels of the organization. Such a climate will promote attainment of the Corporation's goals and objectives, while leaving room for individual initiative within a competitive environment.

Commitment to Communities

The fifth commitment is that of Security Pacific to the communities which we serve. We must constantly strive to improve the quality of life through our support of community organizations and projects, through encouraging service to the community by employees, and by promoting participation in community services. By the appropriate use of our resources, we work to support or further advance the interests of the community, particularly in times of crisis or social need. The Corporation and its employees are committed to complying fully with each community's laws and regulations.

Commitment to Stockholder

The sixth commitment of Security Pacific is to its stockholders. We will strive to provide consistent growth and a superior rate of return on their investment, to maintain a position and reputation as a leading financial institution, to protect stockholder investments, and to provide full and timely information. Achievement of these goals for Security Pacific is dependent upon the successful development of the five previous sets of relationships.

Exhibit 2: Security Pacific Model Questions and Answers for Discussion Leaders

Questions & Answers

These are questions and sample responses to help you respond to queries from your employees.

WHAT IS A CREDO?

A "Credo" or "Creed" is a statement of values, expectations and responsibilities of a group of people. Our Credo is a statement of our commitments and obligations to our various constituencies. It is a vision statement in that it embodies how we at SPC would like to operate. It is a description of our intentions for the way that all of Security Pacific Corporation will do business.

WHO WROTE THE CREDO?

The Credo was written by many SPC employees over a lengthy period of time. In early 1984, a group of Security Pacific Senior Managers wrote a first draft of the Credo. This draft was amended by many Security Pacific employees. In fact, about 250 Security Pacific employees at all levels have had input into the Credo via a series of discussion groups that were held during the latter part of 1984. A broad cross section of staff were represented — both non-management and management in various line and staff functions, as well as the Bank's minority task forces — in meetings held around the United States. Since then, management has been refining the Credo to ensure that the entire document is representative of Security Pacific Corporation's standards. In many areas the Credo has been introduced to officer staff during 1985.

The Credo you have been given is still a draft, in a sense. We want it to be a ***living*** document, a document that continues to reflect the way we would like to operate. It may change as SPC changes.

WHAT SHOULD I DO WITH THIS? WHY SHOULD I FOLLOW THE CREDO?

The future of this Corporation is dependent on the people that make things happen. And we know that we are applying pressure to the organization daily when we ask for more in the way of productivity and profits. We realize that in some cases that creates a conflict. Do we compromise standards in order to generate greater sales? What are the long range ethical implications of our near term tactics? These are the kinds of issues that the Credo hopes to address.

As employees of Security Pacific our commitments are to our customers, communities, and stockholders as well as to other SPC employees. Our daily actions should be directed to fulfilling these responsibilities.

The challenge is to perform these duties on a daily basis. Each of us could ask ourselves questions like, "What did I do today to . . ."

. . . "provide quality products and services"
. . . "perform . . . with integrity"
. . . "serve customer needs"
. . . (foster) "open communication"
. . . "act in a professional manner"
. . . "promote a climate of mutual respect"
. . . "support community organizations and projects"
. . . "maintain (the) . . . reputation as a leading financial institution?"

If the Corporation is to continue to be successful, each of us must do well on this "Credo performance review."

HOW WILL THE CREDO MAKE A DIFFERENCE?

The Credo is designed to reinforce and enhance Security Pacific's culture — not change it.

The "difference" that we hope the Credo will make will be that it will reinforce the values and good feelings we enjoy as a result of our long, respected heritage. And, it will ensure our continued success and winning reputation.

WHO DO I GO TO IF I HAVE QUESTIONS ABOUT THE CREDO?

Your manager is the first person you should go to if you have questions about the Credo. The entire senior management group is fully familiar with the Credo — many seniors have been involved in writing it. Additionally, there is a drop-in card in the Credo for your use.

WHAT IF SOMEONE ELSE DOESN'T FOLLOW THE CREDO?

Your first step is to discuss the matter with your boss. Your personnel officer is another person that you might decide to speak with about the Credo after discussing the matter with your manager.

I'VE HEARD DISPLACEMENTS MAY BE OCCURRING. HOW DOES THE CREDO RELATE?

There may be times when SPC will need to change business direction and move into new market areas. This change in direction may affect some employees who do not have the necessary skills. The Credo underlies the belief that if an employee is displaced, we will handle the displacement in an open and fair manner.

IS THIS SUPPOSED TO BE WHAT SPC IS NOW OR WHAT SPC IS STRIVING TO BE?

This document represents what SPC is striving to be. It is a "vision statement" in that it represents the ideal — the best we can be in all areas. The Credo is also an "intention statement" in that it describes how we intend to act with our constituencies. Now, this does ***not*** mean that Security Pacific is not meeting many of these commitments already. In some of the areas we may be right on target.

WILL SPC CUSTOMERS OR SHAREHOLDERS SEE THE CREDO?

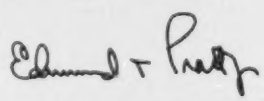
At the present time we have no formal plans for discussing this Credo with our customers or shareholders.

Exhibit 3: Pfizer Statement of Corporate Philosophy

To Pfizer Employees:

We believe it is important for our employees to be aware of the basic objectives and principles that constitute Pfizer's philosophy of doing business and that guide Company policy and practice. The summary provided here expresses our traditional sense of responsibility to those who have a stake in our operations. It highlights, in general terms, objectives and principles that have been expressed by Pfizer leadership in many ways and in many places over the years. More specific guidance is provided in the Company's various corporate and divisional policies.

We recommend that you review this statement which provides guidance for specific policies and practices and serves as a reminder of general corporate priorities. It should guide the decisions and actions of all Pfizer employees.



EDMUND T. PRATT, JR.
Chairman of the Board
and Chief Executive Officer

PRIMARY OBJECTIVES

Fundamental to the Pfizer philosophy over many years has been the conviction that all Pfizer employees share a set of common objectives and benefit together from the achievement of those objectives. A central theme of the Pfizer tradition has found expression in terms such as "team," "community," and "family"—terms that imply a cooperative spirit, a concern for individual well-being, and a sharing in the benefits of working together effectively.

Equally basic to the Pfizer tradition is the recognition that a company does not stand alone, but constantly interacts with society. It draws upon society's various resources, and at the same time contributes in many ways to the health and strength of society. A successful company will be sensitive to the legitimate concerns of those on whom it depends and those on whom its activities have an impact, including investors, employees, customers, suppliers, and communities in which it does business.

In light of these long-held convictions, Pfizer is committed to several primary objectives:

- Provide an attractive return on investment to those who have a financial stake in the Company;

- Provide high quality products that meet customer needs and enhance human health and well-being;
- Provide employees with satisfying and rewarding work opportunities, together with a positive work environment;
- Manage Pfizer in a way that maintains corporate unity and identity, while allowing individual units the degree of independence necessary to maximize innovation and efficiency;
- Contribute to the economic strength of society and function as a good corporate citizen on a local, state, and national basis in all countries in which we do business.

These fundamental objectives are highly interdependent. No one of them is achievable over the long term without the others.

KEY GOALS AND PRINCIPLES

The achievement of these primary objectives depends upon establishing goals and conducting business in accord with certain basic principles. Pfizer is committed to pursuing policies and practices that enhance its deserved reputation as: (1) a growing and profitable organization, (2) an outstanding employer, (3) a good corporate citizen, and (4) an organization exhibiting the highest ethical standards.

These goals and principles may be spelled out in more detail as follows:

1. A GROWING AND PROFITABLE ORGANIZATION

Achieving steady and consistent growth in sales and earnings requires attention to the longer-term implications of current decisions and actions. Consistent growth in sales and earnings enhances Pfizer's ability to:

- Attract and reward sources of investment capital;
- Meet customer needs with the highest levels of quality and service;
- Attract, retain, and reward high quality employees;
- Engage in research to discover and develop new products and processes;
- Manage operations in ways that serve society.

2. AN OUTSTANDING EMPLOYER

Pfizer seeks to maintain its reputation as an outstanding employer and to assure high levels of employee motivation and commitment. These goals are achieved by pursuing the following management principles:

- Defining challenging but achievable performance objectives, and providing reward and recognition that acknowledge the importance of each employee's contribution;
- Encouraging initiative and innovation on the part of individuals and work groups; creating a work environment in which employees function as a team and assume responsibility for identifying opportunities and solving problems;
- Providing challenging opportunities for individual growth and advancement, while assuring that employment and advancement are based on performance, without regard to race, color, religion, sex, age, national origin, or handicap;
- Assuring an ample flow of information and open communication throughout the organization in order to build trust, enhance understanding, and provide for resolution of problems or complaints;
- Providing a work environment that respects the employee as an individual, is sensitive to the needs of employees, and strives to protect employee health and safety.

3. A GOOD CORPORATE CITIZEN

Pfizer recognizes that constructive interaction with society and a positive relationship with host communities is important to business success. Company policies and programs, together with the decisions and actions of all employees, must seek to assure the Company's reputation as a good corporate citizen. Such a reputation is achieved by:

- Conducting business in ways that contribute, wherever feasible, to the economic vitality of communities in which we operate;
- Managing operations with sensitivity to any impact on the physical environment of host communities;
- Using Company resources, including financial and in-kind contributions, as well as the talents of employees,

to be responsive to social needs and to contribute to the overall well-being of host communities;

- Supporting and encouraging public policies that enhance the proper operation of the business and take into account legitimate employee and community interests.

4. HIGHEST ETHICAL STANDARDS

It is crucial to Pfizer's success, and to employees' sense of pride in their association with the Company, that the highest ethical standards be maintained in both internal and external relationships. This entails:

- Maintaining and monitoring commitment to the highest levels of quality in research, in products, and in services;
- Conducting the Company's business relationships in a forthright manner;
- Providing accurate information in the promotion of products and in response to inquiries, while at the same time protecting proprietary information and respecting confidences;
- Respecting individual dignity and taking into account the legitimate interests and rights of employees;
- Conducting all aspects of the business in conformity with the highest ethical standards and all applicable laws.

THE PFIZER PHILOSOPHY, as expressed in these goals and objectives, serves the long-term interests of all who are associated with Pfizer. While management has particular responsibility for creating a climate conducive to meeting these goals and objectives, their achievement depends on the contribution and commitment of all Pfizer employees.

Exhibit 4: McDonnell Douglas Corporation Code of Ethics[1]

The MDC Code of Ethics

MDC is committed to the application of high ethical standards in the conduct of its business and has adopted the following code of ethics.

Integrity and ethics exist in the individual or they do not exist at all. They must be upheld by individuals or they are not upheld at all. In order for integrity and ethics to be characteristics of McDonnell Douglas, we who make up the corporation must strive to be:

1. Honest and trustworthy in all our relationships.
2. Reliable in carrying out assignments and responsibilities.
3. Truthful and accurate in what we say and write.
4. Cooperative and constructive in all work undertaken.
5. Fair and considerate in our treatment of fellow employees, customers and all other persons.
6. Law abiding in all our activities.
7. Committed to accomplishing all tasks in a superior way.
8. Economical in utilizing company resources.
9. Dedicated in service to our company and to improvement of the quality of life in the world in which we live.

Integrity and high standards of ethics require hard work, courage and difficult choices. Consultation among employees, top management and the Board of Directors will sometimes be necessary to determine a proper course of action. Integrity and ethics may sometimes require us to forego business opportunities. In the long run, however, we will be better served by doing what is right than what is expedient.

1. The Code includes the ethics statement reprinted above, a series of general statements of standards of employee business conduct, and rules governing specific business situations.

Exhibit 5: Nestlé Profile

I
A DECENTRALIZED MULTINATIONAL GROUP

From its small beginnings in Switzerland, Nestlé rapidly established itself in many countries and became the multinational company it is today. Its responsibilities and operating competence are fairly decentralized, the Group management's main functions being the following:

- define strategic options and general policies;
- monitor the profitability of its subsidiaries and ensure that the Group is profitable;
- allocate the available financial resources as efficiently as possible;
- optimize the effects of synergy;
- promote the Group's long term health and development;
- plan management rotation and ensure the further training of key staff.

II
FIELDS OF ACTIVITY

Nestlé's operating companies are mainly active in the food industry. Their objective is to meet the requirements of the consumers of the countries where they operate in the field of high-quality food products, mainly by processing perishable raw materials into products with a long life. These products comprise a highly diversified range.

The operating companies adapt their products to local tastes and food habits and, wherever possible, try to use and enhance local raw materials. Particular attention is paid to improving the nutritional and organoleptic qualities of their products as well as their convenience in use.

In addition, Nestlé operating companies also market consumer products which meet specific or special nutritional requirements.

III
MANAGEMENT PRINCIPLES

In order to ensure the long-term health and development of the corporation, the management of the Group and its operating companies aim at achieving profit margins enabling them to:

- make necessary investments (by tradition, two thirds of net profit are reinvested in the Group and its subsidiaries);
- adequately remunerate its capital, in order to maintain investor confidence in the company.

Nestlé's policy is designed to optimize its long-term profitability (and as a result ensure the continuity of the company), rather than attempting to maximize short-term profits.

IV
R&D, TECHNOLOGY TRANSFERS

Nestlé pursues an active research and development policy. In order to improve the organoleptic, nutritional, hygienic, preservation and utilization properties of its products and promote a rational use of raw materials, the Group creates, applies and propagates an industrial technology which is constantly being renewed, bearing in mind the scientific and technical progress to which it makes a major contribution.

The Group tries to promote a permanent exchange of know-how and experience (cross-fertilization) between its operating companies.

Nestlé supplies continuous technical assistance to the markets where it operates, and specifically in the following fields:

- production processes and equipment and their improvement;
- development of new products and improvement of existing products;
- control and improvement of product quality and methods of quality assurance;
- the nutritional qualities of raw materials (especially via the channel of agricultural assistance given to the suppliers of the Group's companies);
- company management techniques and rationalization of organizational structures;
- continuous training of staff, especially executives.

Nestlé seeks a fair remuneration for these services.

V
STAFF POLICY

Wherever they operate, the Group's companies pursue an advanced staff policy, within the framework of the regulations and customs of the host countries.

They pay special attention to:

- providing appropriate social benefits and paying fair salaries to their staff;
- promoting vocational training and further training for staff;
- providing possibilities of promotion – right up to the highest posts – to qualified staff, without any discrimination related to race, religion, nationality or sex;
- establishing and maintaining constructive dialogue with employee associations.

Nestlé has joined the ILO's three-sided declaration on the social policy of multinational companies.

VI
BEHAVIOUR

Nestlé companies respect the laws and customs of the countries where they operate and behave like "good citizens" without identifying themselves with the political systems which are in force locally. They avoid interfering with the politics of these countries, but facilitate the participation of their staff in social and civic life.

It is Nestlé's policy not to own agricultural estates. Its operating companies obtain raw materials from independent farmers.

The Group's companies make a contribution to the economic development of the countries where they operate:

- by the added value which their activities generate;
- by developing and enhancing local natural resources (especially renewable agricultural raw materials);
- by their vocational training and further training opportunities for nationals;
- by the technology they apply and the general improvement of the quality of food products resulting from their activities.

The Group's operating companies behave fairly in their relations with their economic partners. More specifically:

- they pay a competitive price for the raw materials and other goods and services which they buy; they especially support international efforts made with a view to concluding raw material price stabilization agreements, especially for materials of tropical origin;
- they scrupulously honour commitments made to customers and suppliers;
- they promote their products by honest means, bearing in mind the nature of the products involved and the consumer's need for information;
- they pursue fair competitive practices.

Exhibit 6: JCPenney Hypothetical Situations and Analyses

Conflicts of Interest

Including (1) Gifts, Loans, Entertainment; (2) Interest in Other Businesses and Organizations, (2A) Interest in Competitors, (2B) Interest in Suppliers; (3) Indirect Interests and Relationships; (4) Use of Company Information; (5) Diversion of Corporate Opportunity; and (6) Holding Public Office.

The Official JCPenney Policy Statement
Each Associate of the Company shall avoid any activity, interest or relationship with non-Company persons or entities which would create, or might appear to others to create, a conflict with the interests of the Company.

The Purpose of the Policy
To assure that all Company Associates, at all levels, wherever located, are able to perform their duties and exercise their judgments on behalf of the Company without impairment, or the appearance of impairment, by virtue of a non-Company activity, interest or relationship.

Discussion
Associates should avoid the development of any relationships or participation in any transaction involving a possible conflict, or appearance of conflict, between the interest of the Company and the personal interest of the Associate.

While we wish to preserve the privacy of our Associates and their right to conduct their personal affairs without interference, a full and timely disclosure of the facts is necessary to avoid problems. The determination as to whether there is a conflict, or appearance of a conflict, is to be made by the Company and not the Associate involved. In appropriate circumstances where the facts are known, and if there is no illegal or unethical conduct involved, the Company could consent to the proposed activity even though a conflict of interest may exist.

Rev. 4/86

1 Gifts, Loans, Entertainment
Commercial bribery is illegal and the payment or receipt of any business-related bribe is prohibited. An Associate should not, directly or indirectly, accept gifts of cash or anything else of value from anyone having or seeking business with the Company, other than non-cash gifts of nominal value generally used for promotional purposes by the donor.

Participation in business-related functions, including the acceptance of lunches or other meals on occasion, is a normal and permissible business practice. However, care must be exercised to ensure that they are necessary and that their value and frequency are not excessive under all the applicable circumstances.

Other forms of entertainment or "outings", such as dinners, theatre tickets, golf dates, fishing or hunting trips, may be accepted only if it is practicable for the Associate to reciprocate at an appropriate time. In those cases where reciprocation does not seem possible, but the Associate believes it is in the Company's interest to attend, he or she should get the agreement of appropriate supervisory personnel such as a unit manager or a department head.

Associates should not accept loans from any persons or entities having or seeking business with the Company except recognized financial institutions at normal interest rates for individual borrowers prevailing at the time of borrowing. In discussing personal financing with banks, no Associate should state or imply that the bank's response will in any way affect its relationship with the Company. The Company's business relationships with financial institutions are not to be utilized to influence in any way personal loans to Associates.

In summary, nothing should be accepted which could impair, or appear to impair, an Associate's ability to perform his or her Company duties or to exercise his or her judgment in a fair and unbiased manner. A divided loyalty will invariably create serious problems for the Company and its Associates.

Examples of situations that might be encountered by Penney Associates are presented here to help clarify the Conflicts of Interest Statement and its applications.

"... a full and timely disclosure of the facts is necessary to avoid problems."

Example A
A supplier of the Company invites an Associate with whom he or she does business, and the Associate's spouse, to have dinner at the supplier's home. The Associate does not wish to turn down this invitation because it helps to build a good working relationship and the Associate intends to reciprocate at a later date.

Analysis of Example A
The Associate would be permitted to accept this invitation because of the intention to reciprocate. If reciprocation did not appear practicable, the invitation could be accepted only with the approval of the Associate's unit manager or department head.

Example B
A manager whose store places a significant amount of advertising in a local newspaper is given two tickets covering all expenses for a week's trip to the Bahamas. These trips are made available by a local newspaper to all major advertisers in the area and are well attended.

Analysis of Example B
A conflict of interest would exist if the store manager or other member of store management used the tickets personally. However, if the tickets are in fact a "discount earned" through advertising space or frequency and if they are used as prizes for a store contest or promotion, then it would be in the Company's interest to accept and no conflict would exist.

Example C
An Associate has been invited by a supplier to attend a two-day seminar which is held in a resort area. This meeting is a combination of business and pleasure but it is regarded in its particular area as being the most important meeting of the year.

Analysis of Example C
The Associate would be permitted to attend this meeting with the approval of his or her unit manager or department head. Attendance at such meetings, even though they may appear to be attractive from the entertainment point of view, are necessary or desirable at times in order that Associates remain current in their areas of responsibility for the Company.

Example D
An Associate attends a luncheon given by a local supplier, at the supplier's expense, for some of its more important accounts, with the approval of the Associate's manager. During the course of the luncheon, nominal door prizes are given, based on the number of invitations to the luncheon. The Associate wins one of the nominal prizes.

Analysis of Example D
The Associate may accept the prize. Since the door prize was nominal and was not geared to influence or to appear to influence the decision of the Associate with respect to purchasing the supplier's goods and since the Associate was attending the luncheon with the permission of his or her manager a conflict of interest would not result from accepting the prize.

Rev 4/86

Exhibit 7: American Can Company Corporate Conduct Questionnaire[2]

Standards Of Corporate Conduct

Questionnaire

To: American Can Company

From: _____
Your Name

My answers to the questions below are to assist the company in evaluating compliance with its **Standards of Corporate Conduct**. I have read this recently distributed manual. All answers are provided to the best of my knowledge and belief.

My answers cover the period from January 1 to December 31, 1986, and up to the present time. The first five questions are also answered on behalf of my spouse and my children, as well as any partnership of which I am a member and any corporation of which I am an officer or director or which I control.

[2]On April 28, 1987 American Can Company changed its name to Primerica Corporation.

	NO	YES
1. Have you had any financial interest in or derived any benefit from any enterprise or individual which was a supplier, customer or competitor of American Can Company? In answering this question, exclude investments in corporations listed on a recognized stock exchange or in over-the-counter markets when the investment is: (a) not a major portion of your assets, (b) does not amount to 5 percent or more of the outstanding stock of the corporation, or (c) is not based on inside information acquired as a result of your position with the Company.	☐	☐
2. Have you had any interest in or derived any benefit from any enterprise or individual who was a party to a contract with the Company?	☐	☐
3. Have you worked as a consultant, agent, director, officer, employee, or in any other capacity for an enterprise or individual which was a supplier, customer or competitor or which was a party to a contract with the company?	☐	☐
4. Have you entered into any arrangement, express or implied, entitling you to compensation or consideration, now or in the future, from any enterprise or individual which was a supplier, customer or competitor of the Company, or which was a party to a contract with the Company?	☐	☐
5. Have you accepted any gift, transportation, entertainment or other favor or gratuity for yourself or any family member that had a retail value of more than $200 from any enterprise or individual which was or sought to be a supplier, customer or competitor, or which was a party to a contract with the Company?	☐	☐
6. While employed by the Company, have you served as a consultant, independent contractor, agent, director, officer, employee, general partner, or sole proprietor of any business enterprise other than the Company? (Do not report duties undertaken at the Company's request.)	☐	☐
7. Do you know of any instances in which confidential or proprietary information about the Company's business activities or trade secrets may have been improperly disclosed to anyone outside the Company?	☐	☐
8. Do you know of any instances in which company assets or property may have been misappropriated?	☐	☐
9. Have you authorized or entered into, or are you aware of, any transactions made on behalf of the Company that were not executed in accordance with management's general or specific authorizations.	☐	☐
10. The books, records and accounts of the Company should accurately and fairly reflect, in reasonable detail, the Company's transactions and the disposition of its assets. Are you aware of any matters not accurately or fairly reflected?	☐	☐
11. In soliciting business, investing, purchasing or recommending contracts, have you knowingly misrepresented to your management the condition, quality or character of any individual or company with whom you have negotiated or conducted business during the past year?	☐	☐
12. Have you given, authorized, or are you aware of any payments or other inducements made to a customer in order to make a sale, or any gifts of more than nominal value to a customer or purchasing agent?	☐	☐
13. Have you given, authorized, or are you aware of any kickbacks, under-the-table payments or other personal considerations to suppliers of products or services to American Can Company?	☐	☐
14. Have you been a party to any agreements with competitors, customers or suppliers to fix prices, allocate markets, arrange tie-in sales or take other actions which might violate antitrust laws?	☐	☐
15. Have you authorized or made on behalf of the Company, or for the benefit of the Company (including amounts which may have been reimbursed directly or indirectly by the Company), any political contributions, domestic or foreign? (Do not report contributions made to or by authorized political action committees.)	☐	☐
16. Have you engaged in any political activities during company hours which have not been discussed and cleared with the person to whom you report?	☐	☐
17. Have you served in any public capacity which involves you in issues that might affect the Company?	☐	☐

	NO	YES
18. Have you directly or indirectly made or authorized any gift, payment, or offer or promise of payment to a foreign official, political party, party member, or candidate for office in order to influence actions or decisions affecting the Company?	☐	☐
19. Are you aware of any instance in which a company employee has been harassed, discriminated against in compensation or promotion, or terminated because of sex, race, age or religion?	☐	☐
20. Are you aware of any company operation or facility which in any way violates regulations designed to protect the environment?	☐	☐
21. Are you aware of other activities which may conflict with the Company's **Standards of Corporate Conduct**?	☐	☐

I will inform the company of any changes relating to my answers to this statement.

Exhibit 8: General Dynamics Ethics Program Organization

The organization of the Ethics Program begins with the Board Committee on Corporate Responsibility. The Committee has broad oversight responsibility for company programs and policies in relation to employees, customers, suppliers, shareholders, and community. The Committee consists entirely of outside directors. Besides the Ethics Program, it has responsibility for other matters such as equal employment opportunity, employee rights, safety and health standards, product and plant safety, environmental issues, and community relations.

In addition to the Board Committee, a Corporate Ethics Steering Group, made up of the heads of major functional departments within the corporation, has responsibility for providing policy guidance and general administrative direction for the Ethics Program corporatewide. Similar groups at some of the divisions provide divisionwide direction for the program. Company attorneys, at both the Corporate Office and at each division, support the Ethics Program with legal counsel concerning the laws, regulations, and government rules that lie behind the specific guidelines for conduct found in the Standards booklet. Corporate and division counsel also play important roles in investigations concerning violations of the Standards.

At the Corporate Office, and at each division, subsidiary, and major location, there are Ethics Program Directors responsible, on a day-by-day basis, for assisting management in the implemention and maintenance of the Ethics Program. The Ethics Program Directors provide advice to employees with questions about the application of the Standards, and they are responsible for screening allegations concerning possible violations of the Standards. Many of the directors maintain hotlines.

Altogether, at the close of 1986, there were 39 individuals serving as Ethics Program Directors around the corporation. There is a full-time Corporate Ethics Program Director at the Corporate Office who reports to the Chairman and Chief Executive Officer. There are full-time directors at each of the defense division headquarters. These persons report directly to their General Manager or President. The directors at the commercial subsidiaries serve on an added-task basis but are available full-time if necessary. As Ethics Program Directors, they report directly to their President. At many of the satellite locations of the divisions, there are individuals serving on a part-time basis as Ethics Program Directors. In their capacity as Ethics Program Directors, they report directly to the Manager of their facility.

General Dynamics is a corporation where leadership is most visibly and effectively exercised through line management. Line management has been particularly important in the implementation of the Ethics Program and integration of the Standards. Line management defines expectations and sets the example. Ethical conduct depends on alertness and information. It is not a product of a specialized skill and requires no expert knowledge of philosophy, theology, psychology, law or other academic disciplines. It depends heavily on commitment. "You gotta wanna," as the phrase goes, and in the area of employee attitude, management - up and down the line - has a special responsibility for setting an example. Functional departments also play an important supporting role, especially Human Resources, Legal, Security, and Internal Audit. In the midst of all of this, the role of the Ethics Program Director is to assist management in its leadership role and to assist employees generally in their understanding and application of the Standards to daily business conduct.

—The Ethics Program 1985/1986, General Dynamics, pp. 6-7.

Appendix

For contemporary views see:

Allan Bloom, *The Closing of the American Mind.* Simon and Schuster, 1987.

Kenneth E. Boulding, "Ethics and Business: an Economist's Views." *Ethics and Business,* the Pennsylvania State University College of Business Adminstration, 1962, pp. 1-14.

Robert Coles, "Storytellers' Ethics." *The Harvard Business Review,* March-April, 1987, pp. 8-14.

Peter F. Drucker, "What is Business Ethics?" *The Public Interest,* Spring, 1981, pp. 1-14.

Selected classical texts include:

Aristotle, *Nicomachean Ethics.*
Immanuel Kant, *Metaphysical Foundation of Morals.*
Niccolo Machiavelli, *The Discourses* and *The Prince.*
Plato, *The Republic.*
Jean Jacques Rousseau, *Emile.*